

Veba Oil Minnow in a sea full of sharks Interview, Page 10



Kosovo conflict Nato faces biggest challenge for 50 years Carl Bildt, Page 12



COMBINED GROUP WILL BE CHALLENGER TO INTERNATIONAL MARKET LEADER PHILIP MORRIS

Hollywood-down-under Box office hits on a shoestring

Mayhem in Milan Wild west in need of a decent sheriff Page 3

WORLD NEWS

Signature and conds

Santer outlines anti-fraud bid to save commission

Jacques Santer, European Commission president, yesterday proposed tough new rules of behaviour covering every level of the European Union executive in an effort to save his administration from being sacked.Page 14; Schröder backs Commission,

Ecavit confirmed as Turkish PM Bulent Ecevit, Turkey's veteran leftwing leader, was named prime minister with the task of steering the country to April elections which are shaping up as a fight between islamists and the secularist elite. Europe, Page 3

Nazarbayev wins Kazakh elections Preliminary results show Kazakhstan's leader Nursultan Nazarbayev won more than 80 per cent of the vote in Sunday's presidential election. International, Page 7; Editorial Com-ment, Page 13

afontaine's 'neutral' budget Oskar Lafontaine, Germany's finance minister, acknowledged his first budget, to be presented to Cabinet next week, would be broadly unchanged from plans left by the former government of Helmut Kohl. Europe, Page 3

iles all charges The White House notified the Senate that President Bill Clinton denied the charges against him in the Monica Lewinsky case, setting the stage for a Senate impeachment trial to begin in an atmosphere of tense confrontation. Americas, Page 5

Iraq puts pressure on Kuwait US aircraft bombed an Iraqi missile site and Kuwait put its armed forces on maximum alert after Iraq appeared to threaten their border after a Saudi Arabian plan to ease economic sanctions. International, Page 7

Inspection of MD-11 jets urged US transport safety authorities are recommending the US fleet of McDonnell Douglas-11 aircraft be inspected for possible wiring flaws after conclusions reached by safety inspectors examining 111. Americas, Page 5

Brazil blocks state cash Brazil's government raised the stakes in its dispute with Minas Gerais state, which last week announced a moratorium on debt payments, by blocking the transfer of R\$11.7m (\$9.7m) to the state government. Page 14

graphical and the section of the

Microsoft launches defence Microsoft, the most highly valued company on the US stock market, launches its defence case, through a series of 12 witnesses against allegations it has violated antitrust laws. Americas, Page 5

Anwar Ibrahim, former Malaysian deputy prime minister who was jailed and beaten after being sacked, welcomed the appointment of Abdullah Ahmad Badawi as his successor. Asia-Pacific, Page 6

Arens in bid for israeli premiership Moshe Arens, a former Israeli defence minister, announced his candidacy for leadership of the conservative Likud party and premiership. International, Page 7

STOCK MARKET INDICES

NX CTSE 100

Long Sond Yield OTHER RATES

Dow Jones Ind Av9574.32 NASDAQ Composite2355.83

Nicel 13,368.48
US Lunchtime RATES
Federal Funds ______5.0625%
3-mith Treas Bills: Yld __451%

Sermany: 10 yr Bund ...107.07 Jepan: 10 yr JGS100.42 NORTH SEA O'L (Argus) Brent Dated\$12.115

op 3001235.14 13,368.48

investigation into

Bayerische HypoVereinsbank, Germany's second largest commercial bank, is under investigation for possible irregularities in property loans, an area that caused an internal dispute at the bank last year. Page 15

to generate at least Rbs14bn (\$600m) from the sale of a 25 per cent stake in Svyazinvest, the state-controlled telecoms company. European companies

Target, the European Central Bank's euro payments network, is to stay open late until the end of this month to deal with unexpectedly high volumes of payday. Europe, Page 2

Agfa-Gevaert, the film and graphic systems subsidiary of German chemicals group Bayer, said it would buy US firm Sterling Diag-nostic Imaging for an undis-closed price. European companies, Page 16

Airbus industrie, the European aircraft consortium, announced record orders for 1998, but still finished behind its rival, Boeing of the US. World trade, Page 4

The state-owned UK Post Office is taking over German Parcel, Germany's third largest private

SKF, the world's largest manufacturer of rolling bearings, announced a wide-ranging restructuring of its US automotive operations as part of a global reorganisation. European companies, Page 16

English China Clays, the UK industrial minerals and speciality chemicals company, has received an unsolicited £680m (\$1.14bn) cash offer from Imétal, its French rival. UK companies, Page 22

Novo Nordisk, a Danish drugs company specialising in diabetes will donate £4m (\$6.7m) to a centre in Oxford in the UK which aims to bring together academic teaching. Britain, Page 8

The prospect of a merger between Enterprise Oil and Lasmo, the UK's two biggest oil explorers, was under threat after a mostly negative reaction from investors and analysts. Page 22

Pohang Iron & Steel of South this year to avoid possible trade conflict with the US. World trade, Page 4

World Equity Markets

WORLD MARKETS

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(-43.52) (-122.24) (-52.2) (-18.15) (-23.33)

BUSINESS NEWS

German bank faces property loans

The Russian government plans

ments at the end of the business

carrier. Britain, Page 8

American Airlines is today expected to announce a broad alliance and code-sharing deal with Japan Airlines. It would be the latest in a series of agreements bringing JAL closer to membership of Oneworld, the global airline grouping. Page 15

The latest trends and data from more than 50 national markets at a glance

291.25

(1.1553) (0.7043) (128.741) (1.6127)

1.1534

Korea, the world's second largest steelmaker, said it would reduce exports by more than 5 per cent

BAT agrees

to take over Rothmans in \$8.6bn deal

British American Tobacco yesterday agreed to take over Rothmans International in a £5.28bn (\$8.68bn) deal that will leader in the international cigarette market.

BAT and Rothmans occupy new group, including brands Rupert, of the South African fam-such as State Express, Kent, Rothmans and Dunkin selling more than 900bn cigarettes a year and will have 16 per cent of the world market compared with the 17 per cent of to consolidate.

surprised by the news because both BAT, which is being advised by Lazard Brothers and Goldman Sachs, and Rothmans had been

after speculation that the US group was considering selling or spinning off its overseas tobacco business, R.J. Reynolds International.

One said that Reynolds had take the combined group close lost both its potential partners behind Philip Morris, market and would also be facing a

tougher competitor.

Martin Broughton, BAT chairman, described the deal as the respectively second and fourth first tangible benefit to spring be a minority shareholder in a bigger, better company as the world tobacco industry continued

of the Rupert family that owned Rothmans, will hold 35 per cent of the enlarged group, with 25 per cent of the ordinary shares and a considered prime candidates for further 10 per cent in convertible negotiations with RJR Nabisco preference shares. Richamont is



vehicles of the Rupert family that owned Rothmans, will hold 35 per cent of the enlarged group

being advised by Warburg Dillon total sales of £10.3bn. The new Read and Rembrandt is being BAT would be a clear market

advised by S.G. Hambros. Shares in BAT jumped 84p to Philip Morris, maker of Mariboro. After completion, Richemont close at 625p yesterday. Based on future growth was expected.

Tobacco industry analysts were and Rembrandt, the twin vehicles that price, the all-paper deal val-although it also has a strong ued Rothmans at £5.28bn and presence in the US and Europe. implied a market value for the new group of £15.1bn.

Pro forma profits last year -

leader in the emerging markets where most of the industry's

Annual cost savings would reach £250m by the third year. Mr Broughton said the deal, excluding goodwill amortisation which might be completed in the - would have been \$2.17bn on second quarter, would need the Lax, Page 14

approval of the European Commission as well as competition authorities in Australia, Canada and South Africa. But the group would not have

gone ahead with the deal without

being confident that any competi-

tion issues could be resolved. Squaring up to Mariboro, Page 13

Soaring yen adds to Tokyo's economic ills

in Tokyo and Alan Beattle in London

The Japanese yen yesterday surged to its highest level for 28 would take "necessary measures" ing capital back to Japan, or it should reduce bond yields by purmonths against the US dollar, if the foreign exchange rate may be evidence that Japanese chasing more JGBs. threatening further problems for lapan's ailing economy.

international currency alongside the dollar and euro

but gained in later trading to level four months ago. Y108.5. The currency move was partly triggered by investor concerns that Brazil's mounting fiscal problems could damage US financial markets.

ister, admitted that the strength- current account surplus. ening was "undesirable" and showed "excessively sharp move-investors are taking flight from ments". ,

Keizo Obuchi, Japan's prime min-reflected the recent rise in Japathan Y2 in Tokyo to touch Y108.6 closed at 1.75 per cent, 8 basis "Only a shift into yen cash by buy more JGBs to reduce the to the dollar. The currency closed points (0.08 of a percentage point) these investors can explain bond yield and weaken the yen. at Y109.3 in London yesterday up on the day and twice their simultaneous sell-offs in Japa- But the Bank has become

driven up by the growing unwill- yield curve." ingness of Japanese investors to buy overseas assets with the appear to have intervened in the to cut its assets.

pledged that the government have encouraged this by attract- opposed to suggestions that it

all but safe, short-term yen-

The currency strengthened as . The strength of the yen also denominated assets. ister, began a tour of Europe's nese government bond yields, be an increase in risk aversion on bas recently indicated that it will capitals to promote the yen as an which traders suspect could the part of Japanese investors," stop most purchases of JGB's this attract more capital into yen said Ravi Bulchandani, senior instruments. Yields on the bench- currency economist at Morgan The yen strengthened more mark 10-year JGB yesterday Stanley Dean Witter in London. ment officials want the Bank to

nese stocks and bonds, the increasingly alarmed at the Traders in the global currency strength of the yen and the expansion of its balance sheet, markets believe the yen has been robustness of the short end of the which rose to Y91,000bn in

Koji Tanami, vice finance min-funds derived from the country's currency markets yesterday and government officials indicated The rise in JGB yields may that the Bank remained strongly

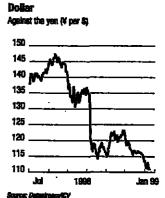
> The Trust Fund Bureau, a state institution which has traditionally absorbed a large part of the "The key to the situation could bonds issued by the government.

Some politicians and govern-December, 27 per cent higher than a year earlier, and is seeking to cut its assets.

Surface, Page 25

Capital markets, Page 24

World stocks, Page 33 The Bank of Japan did not than a year earlier, and is seeking



Yen up as Japanese worries

Corzine steps aside in Goldman reshuffle

Jon Corzine, one of Wall Street's best-known bankers, unexpectedly stepped down yesterday as was known to have argued co-chief executive of Goldman Sachs, the top global investment ing, stating that it should engage hank.

In a management reshuffle marking a significant power shift as Wall Street's leading investment banking partnership pre- led the drive to take the firm pares to turn itself into a public public and end its 130 years of company, Hank Paulson is to partnership, would continue as become sole chief executive and joint chairman with Mr Corzine. attempt to float on the stock

market. Mr Paulson described the reshuffle as "an orderly transition", but conceded the moves were an attempt to assure the man executive committee. They firm's partners, staff and investors that the "entire management team is lined up behind the initial public offering".

Thain, chief financial officer, are promoted to be joint-chief operat- day" for Mr Corzine. ing officers. The move is seen as marking them out as future lead-ers of the firm and ensuring their Goldman IPO takes a twist, Page 20

By Tracy Corrigan and William Lawis support for the IPO. A new chief financial officer will be appointed financial officer will be appointed later in the year. During the partnership's IPO

debate last year, Mr Thornton strongly against the firm floatdirectly in a transforming Goldman said yesterday that 52-year-old Mr Corzine, who has

man. However, executives The move shocked Goldman suggested it was unclear whether Sachs' competitors, coming just he would hold this position once months before the firm's renewed the firm floats, likely in early Mr Corzine is said to have made the decision to step aside following discussions with other members of Goldman Sachs' five-

senior partner as well as co-chair-

Mr Corzine said "it was the As part of the changes, John right time to get this coherence". Thornton, who runs Goldmans' referring to the new management Asian operations, and John structure. A senior person at the firm said it was "an' emotional

World News: North America 5 International 7,

Asia Pacific 6, Trade 4, UK 8 European News: 2,3

Management/Technology: 10 Comment & Analysis: 12,13

Asia Pacific 18,

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EURO (London)

CONTENTS

Companies & Finance: 15-22 Europe 16, The Americas 20,

UK 22, Capital Markets 24 World Stock Markets: 30-36

Speculate and

Schröder backs Commission in censure dispute

By Ralph Atkins in Bonn

Gerhard Schröder, German chancellor, yesterday backed the European Parliament on fraud in EU programmes. the European Commission in its clash with the European parliament over corruption allegations and sought to EU presidency and embarkhead off a censure vote by ing on an ambitious reform European MPs with addi- agenda, he said he needed a tional proposals for combatwas "able to act". Speaking after a joint

cabinet. Mr Schröder voiced 1996 accounts after allega-Thursday could force the "stable" Commission that

The censure moves were meeting between the Com- triggered when MEPs voted

Mr Schröder insisted the

employees. The European Commission had also control. He hoped his sug- of calling publicly for MEPs strong team of commissionstepped up the fight against corruption with plans for

But the chancellor said gated seriously. His suggesalarm that a censure vote by tions of mismanagement and that in his talks with Jac- tions appeared to be aimed ques Santer, Commission at assuaging fears by MEPs president, he had discussed that the European Commis-Commission's resignation. Commission had investi- how Europe's institutions - sion would have too great an With Germany holding the gated "to the extent of its including the parliament - influence over the planned possibilities" allegations could be integrated into the anti-fraud unit, proposals for against individual commis- work of the anti-fraud unit sioners and commission and bring anti-corruption Brussels in December. procedures under political

"additional proof" that alle-

which were announced by

Mr. Schröder stopped short gestions would provide of his Social Democratic

wards" and put the longer term interests of Europe above "irritations" created largely by misunderstandings. He refused to comment on the possibility that individual commissioners could be sacked, but noted that Mr Santer had described the 20-

ers as a "unit". Mr Santer, who added that

hoped MEPs would "look for- tors could also be given a Schröder's scheme, promised to relay the proposals to the European parliament.

Separately. Mr Schröder reiterated his determination so-called "Agenda 2000" package of financial and other reforms under Germany's six-month EU presi-

mission and the German against signing off the EU's a new anti-fraud unit, gations would be investi- sion. But the chancellor the European Court of Audicabinet, Mr Schröder voiced 1996 accounts after allege.

Dut the chancellor the European Court of Audicabinet, Mr Schröder voiced 1996 accounts after allege.

Dut the chancellor the European Court of Audicabinet, Mr Schröder voiced 1996 accounts after allege.

Dut the chancellor the European Court of Audicabinet, Mr Schröder voiced 1996 accounts after allege. tural policy and Mr Schröder strengthened role under Mr admitted German farmers could be left worse off.

"Everyone must be prepared to make compromises," Mr Schröder said. Despite the short time left to reach a deal on the and the conflicting national interests at stake. Mr Schrömore confident that all the

EUROPEAN PARLIAMENT POLITICAL GROUPS SPLIT OVER TACTICS IN ANTI-FRAUD CAMPAIGN 🗆 TIMETABLE UP TO THURSDAY MORNING'S VOTE 🗆 MARIN AND CRESSON TARGETED

shy away from 'nuclear option' against sleaze

The corridors and committee rooms of the European Parliament are alive with the sound of multilingual scheming at the best of times. For the next two days, the whis-pers could grow dealening.

Parliament members - the European Union's directly elected representatives must decide whether to back Kok, Dutch prime minister -

This is within their now-

ers, but it requires a befty "double majority" of at least half of all 626 MEPs, plus two-thirds of votes cast. Alternatively, MEPs could

"MEPs are going to be negotiating about this behind closed doors right through to Thursday mornsaid yesterday.

The timetable, at least, is try to sack individual com- clear. Political groups have missioners. Officially, they until 4pm today to finalise have no power to do this. any resolutions demanding But some - including Wim that individual commissioners stand down. One has so either of two censure have suggested a simple far been proposed, by parliamotions to sack the 20 com- majority vote against any ment's third-largest group. ioner would be diffi- the European Liberal Demo-Brussels bureaucracy over cult for Brussels, or EU crats, demanding the resig-

Manuel Marin and Edith Cresson. Groups have until 11am

tomorrow to decide whether they can unite around particular resolutions. Their leaders meet tomorrow afternoon to decide the order for Thursday's 11am vote. The "nuclear option" of a

censure vote against the commission looked unlikely vesterday. Parliament's largest groups, the Socialists. with 214 members, and cen-

split on the issue. The Liberals have already indicated they prefer to target individ-

stickiest position. Having called the censure motion aiming to use it as a confidence vote and back the Commission, they have watched as the danger has grown that their tactics would backfire.

Pauline Green, the socialist leader, announced a high-

nations of commissioners party, with 202, were deeply suggesting her group might back the censure motion if other groups attempted to sack individuals. "We do not have the institutional right to cherry-pick among commissioners," she told the parliament yesterday.

Other groups saw this as an attempt to frighten them off. But some Socialists said that no matter what the tactics, they could not vote for censure. "There are no circumstances that I can foresee at the moment that would have me voting for a

son, a British Labour MEP who has been an active antifraud campaigner. He reagations against the Commis-The 16 French Socialists

have demanded that the motion be withdrawn - and have removed their signaman Socialists are split down the middle.

A second censure motion, proposed yesterday by the

Independent Europe of the Nations group, aimed specifically at toppling the Comwan support. The big question is

whether groups can unite around attempts to target individual commissio That could be difficult.

The Liberals and Greens want to target only two - Mr Marin and Mrs Cresson while many EPP members agree on the approach of targeting individuals, but not

Syntretians

Lafontaine retreats from the 'T' word

The notion of target zones for the leading global currencies has irked central bankers. Wolfgang Münchau reports



Oskar Lafontaine, German finance minister, last year provoked an outcry among proposed exchange rate "targlobal currencies - arrange ments under which exchange rates can fluctuate against each other within previously agreed margins.

But the German governpolicy that falls short of specific target zones.

also been drumming up sup- euro and the dollar. port for an exchange rate

the debate is as much about policy. An overvalued

infigüen januari % change

Current account (Ecu bri)

Current account batance

Industrial production (%)

M3 Annual growth rate (%)

Over same quarter last year 2.4

Trade (Ecu bet

Trade balance

As % of GDP

Economic indicators for euro-11 countries

02 1998

24.7

Jul-Sepi

Financial Times Surveys

Business

words as it is about sub-And where does the Euro-

Like most other central banks, it rejects explicit target zones as inconsistent with its primary objective of central bankers when he achieving price stability. But this does not mean the ECB get zones" for the leading is indifferent to the euro's exchange rate.

Duisenberg, president of the approval. or formal ECB, has said repeatedly the exchange rate systems, bank will not follow a policy of benign neglect. In a recent ment has since been toning Financial Times interview down its rhetoric. It appears he went further, declaring Mr Lafontaine may now be the ECB would not tolerate has any chance of building render European industry uncompetitive. He was also Keizo Obuchi, the Japa- concerned about exchange nese prime minister, has rate volatility between the

In other words, the ECB is policy to stabilise the value not going to be a mere specof the dollar, the euro and tator if the exchange rate of the euro should gyrate Mr Obuchi, who yesterday wildly or settle at an met Gerhard Schröder, Ger- extremely high rate. Otmar man chancellor, did not call lissing, chief economist of the for explicit exchange rate ECB, said the exchange rate target zones either but opted was earmarked specifically for more nebulous policy as one element in a basket of sound like semantics, but ences the ECB's monetary

Nov 1998 Oct 1998 Sep 1998 Aug 1998 Jul 1998

60.8

5.2

12.2

58.9

13.5

6.5

Sep 1998 4.5

Q4 1997

61.5

14

03 1997

26.1

1.9

8.9

Jul 98 5.0

Q4 1997

GERMANY:

the appropriate form of exchange rate would increase momentum to ease monetary policy, suggesting normalisation of the ECB does have an pean Central Bank stand? exchange rate policy of sorts

involve a specific target.

The Masstricht Treaty, specifies two types of possible exchange rate policies: informal arrangements, On the contrary, Wim EU finance ministers for European Union and the which would require unanimity. The ECB has to be consulted on both occasions.

Only the informal route bankers and politicians. The US administration opposes target zones, but may also be been replaced by a nagging open to less stringent poli- realisation that the accord cies. Washington has an has not resolved the central interest in preventing a collapse in the dollar, which could trigger a protectionist backlash in the coming pres-

idential election campaign. When finance ministers and central bankers get together to discuss the issue at the Group of Seven meet-"co-ordination". This may policy indicators that influ- may be some room for compromise after all. They just have to avoid the "T" word.

11,5 11,5

671.4 584.2

A,28

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4,111

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02 1997

13

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1996

1996

Hans van den Broek, the 1997 1996 Jan 96°

> Some Swiss ministers would love to play on the wider European political stage. Others are more sceptical given that joining the EU would undermine the more cherished aspects of Swiss direct democracy and - if current conditions prevailed - would result in a and the EU. doubling of the country's interest rates.

single currency, the euro, is countries -

country's

Target's late opening is extended Target's closing time would Target payment. Heavier problems experienced by quickly to rejected pay-be extended from 6pm users of the Target system Target had stemmed from ments, and to stop entering

and disadvantages of valuable her control of the EU budget. But the free trade agreement with SFribn in lost orders.

Frankfurt time to 7pm. But get a discount and usually the concentration of pay-Target, the European the central bank blamed pay only 60.80 per payment. The extra hour is intended day and from "difficulties

Target payments messages up interbank payments banks in adapting to the Taropen late until the end of Target payments made flows. The cut-off for cusget rules and creating Tarthe end of the business day. This is a punitive charge, ing closing times beyond the their Target messages conform to the multi-charge form to the multi-charge conform to the multi-charge conformation con

The ECB said most of the to make sure they responded

ments, and to stop entering new payment contracts for enough in advance of the 6pm cut-off to allow time for processing before the system shut down. But several private sector banks said bottlenecks lay more with payments systems operated by national central banks

Fund managers bullish, Page 15

Switzerland ponders relations with EU trade partners is the recent accord Switzerland and the EU: close

in Vienna a first step towards eventual Union membership or is it the final chapter in the trade ties? - even if that does not William Hall reports

 witzerland is not known of for hasty decision-making. It has taken almost five years to hammer out which require accord from last month's bilateral only a qualified majority of trade agreement with the accord could still be rejected by popular referendum.

The earliest it can come provisions will take another But the initial Swiss

agreement at last month's EU summit in Vienna has question about Switzerland's relations with Europe.

Does it mark the first step towards eventual membership of the EU, or is it the final chapter in the normalisation of trade relations

EU commissioner in charge of the negotiations, has described the accord as an interim step and highlighted Switzerland's dilemma by adding that it was "up to the Swiss to decide what it was a step towards".

compete with the Swiss franc in domestic payments north and so traffic and, if things go funnelled wrong, could trigger huge inflows of hot money which would undermine the

and disadvantages of valuable net contributor to

with its biggest trading part- another reason why the country remains split down the EU and the latest deal debate over Switzerland's future role in Europe will top Switzerland's political agenda in 1999. The pro-EU and anti-EU

lobbles in Switzerland are likely to use its contents to advance their own cases in the run-up to the national elections in October

Switzerland, a land-locked Alpine state of 7m people. has always profited from being the odd man out in Europe.

It remained neutral during two world wars and has stubbornly refused to join the United Nations, Nato Yet it is more European

than most of its neighbours, The arrival of the EU's surrounded by four EU one obvious reason why Austria, France and Italy -Switzerland can no longer and shares their languages.

afford to ignore Europe. It is the EU's third biggest It will increasingly trading partner and a large part of EU traffic between north and south Europe is claw back some of the Switzerland's strategically located Alpine tunnels.

Switzerland adapts an export increasing number of its

joining the EU.

Swiss German TV showed that 51 per cent of the population favoured joining the EU but at the same time the number opposed rose from 37.5 per cent to 42 per cent at the expense of the

LAUNCH OF THE EURO

"don't knows". The Swiss government has long been keen to form closer ties with

But its proposal to join the European Economic Area (EEA) in 1992 was rejected in a referendum by 50.3 per cent of the Swiss electorate. Ever since then it has been negotiating from a position of weakness as it has tried to

through benefits of associate EU status from the wreckage of the previous negotiations. It has had to make more

country's export increasing number of its competitiveness, which is laws to meet EU like, particularly in the area the main engine of the requirements, without of accepting lower transcountry's economic growth. having any say in their Alpine road tolls and the Swiss machinery fears about a resultant concessions than it would formulation, and, as one of entry of 40-tonne trucks, to manufacturers' association, government report later this the world's richest countries, win some of the benefits estimates that not having month on the advantages Switzerland would be a enjoyed by EU members. free access to EU markets

the middle on the wisdom of focuses on removing the held up as a European sorts of non-tariff barriers The latest opinion poll on that lead to delays at border for most of the 1990s, and its crossings and generate extra weak performance has been paperwork in terms of partly blamed meeting EU standards and

certifications. Younger Swiss will also have better opportunities to train and work abmad

"We are no longer boxed in as before," said one senior Putting a value on the

agreement, which covers seven dossiers - road and air transport, free movement procurement, research, agriculture and mutual recognition of trade standards, is tricky.

Some have suggested that it will cost Switzerland between SFr550m and SF7950m (\$395m and \$680m) a year through extra contributions in areas such as joining EU research projects.

However, Swissair, the national airline, believes it will save SFr200m a year by removing its competitive disadvantages vis à vis other

Switzerland already has a has cost his members about

The Swiss economy, once Switzerland's isolation from Europe.

Trade and investment

According to one estimate the bilateral accord with the EU will raise Swiss a considerable boost given that the Swiss economy is unlikely to grow by more than 1.5 per cent next year.

The immediate priority for people, public the Swiss government is to ensure that the new agreement does not suffer the same humiliating fate as its abortive bld to join the EEA six years ago. Christoph Blocher, a

successful businessman and Switzerland's best-known rightwing politician, is likely

Swiss population are foreign avalanche of 40-tonne EU trucks blocking Swiss highways, should provide Mr

rightwing position to make life difficult for Switzerland's coalition government by emphasising the anti-EU card in his the anti-EU card in his

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Bridge. London SEI 9HL

open late until the end of deal with unexpectedly high have clogged the system at €15 (\$17) per payment. the end of the business day.

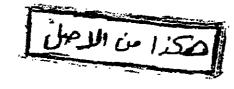
cial banks' failure to format only to allow banks to clear experienced by several using the extra hour would tomer payments remains volumes of payments that face an additional charge of 5pm. The central bank said

terday that until January 29, maximum rate of €1.75 per

it had no intention of extend-

get-compliant messages". The central bank urged banks to be careful to make form to the published rules,

which link to Target.



ure dispute

annst sleaze

ANKARA POWER VACUUM VETERAN SEEN AS SAFE PAIR OF HANDS

Ecevit confirmed as Turkish PM

Bulent Ecevit, Turkey's veteran leftwing leader, was named yesterday as Turkey's new prime minister with the task of steering the country to April elections which are shaping up as a fight between Islamists and the secularist elite, Reuters reports from Ankara,

Turkey had been without an established government since a conservative-led coalition collapsed last November over corruption allegations. In the power scuum, friction between ligious activists and the cularist army has risen. President Suleyman Demi-

rel agreed to Mr Ecevit's minority government, expec ted to win a parliamentary vote of confidence set for Sunday.

The new cabinet is composed of members of his Democratic Left party plus three independents. It is backed in the national assembly by two rival conservative factions.

Leading cabinet members such as Ismail Cem, foreign minister, and Zekeriva Temizel, finance minister, retained their posts in the new government.

Former education minister oted to deputy prime miner. Moving him away from An apparent attempt to placate Moslem traditionalist style beadscarves in the



ted to win a parliamentary

MPs who opposed Mr Ulugbay's attempts to purge teachers and officials suspected of Islamist sympa-

Mr Ecevit, the number two in the previous government, is a staunch secularist seen by the generals as a safe pair of hands in times of trouble. He is best known abroad as the man who ordered Turkey's 1974 invasion of Cyprus in response to a Greek Cypriot coup.

Mr Ecevit. 73, urged voters on Sunday not to support likmet Ulugbay was pro- the Islam-based Virtue party in the election on April 18. He warned the Islamists not to bring up a dispute

The Islamists are tipped do well despite having been forced by the army to relinquish power 18 months ago after winning an election in

Virtue has dropped much of the religious rhetoric that marked the previous Islamist push for power. The Islamists have quietly

shelved plans for an "Islamic

currency" and Moslem

say they back Turkey's bid to join the European Union. But the change of tone has not impressed the army, which has staged three comps since 1960. The generals warned at the weekend that Virtue could be outlawed for allegedly threatening democracy and Turkey's

secular constitution. "Our democracy will be strengthened if political formations that will destroy democracy by abolishing secularism are banned," a pamphlet issued by the armed forces said.

The Islamist Welfare party, Virtue's predecessor, was disbanded by the constitutional court last year for sedition after a legal process that lasted more than six months.

Its ageing leader Necmet-tin Erbakan, Turkey's first Islamist prime minister, was banned from political leadership until 2003.

Unity of French right

DM465.3bn (€238bn, \$402bn), compared with the ent candidates for the presidency of the Rhône-Alpes' regional administration.

The split threatens to undermine the loose umbrella organisation, the Alliance, formed last year to bridge the differences between the Gaullist RPR, the centrist UDF and the small group of liberals ister <u>Alain</u> Madelin

Political analysts also said yesterday the split risked complicating formation of a single rightwing list for June's elections to the Euro pean parliament.

over the weekend when the UDF took the unprecedented step of teaming up with the parties of the left to prevent any candidate winning with the support of the racist National Front. Mathemati cally a rightwing candidate could otherwise only win

Comprani, the 51 year-old deputy mayor of Lyons, was elected at the third round by 75 votes to 56. Of the votes cast for Ms Comprani, longtime political aide to former French prime minister Raymond Barre, 60 came from the parties backing the leftwing Jospin government, 10 from the UDF and a further five from dissident members

The election followed a decision last December by the council of state which invalidated the presidency of Charles Millon, a former UDF defence minister. because he had allied with the extremist National Front prior to his election in March 1998. Mr Millon was vilified by the left and right for the deal, but was backed at the time by the bulk of the RPR and UDF councillors in Rhône-Alpes. This led him to form a new national

Mr Millon's failure to secure re-election puts the future of The Right in doubt. But it casts a much bigger cloud over the Alliance umbrella group.

"The centrist UDF has asserted itself but it has done so against its partners adversaries," observed Mr Madelin yesterday. "We have made a mess of Rhône-Alpes will we do the same with the European elections?"

The divisions come at a time when President Jacques Chirac is seeking to forge a common front for the European elections. They also complicate the chances of the moderate right to profit from the break-up of the National Front, which accounts for 15 per cent o

Murder now the fashion in Italy's fashion capital

Soaring crime rate in Milan has prompted Rome to send in extra 800 policemen, writes

Paul Betts

fter nine murders in the first nine days of the new year, Milan, the Italian capital of finance and fashion, has become the proverbial "city gripped by fear". Milan is suffering an unprecedented crimewave that yesterday prompted 800 policemen to patrol the defence alliance, and now streets of the northern metropolis.

"We won't allow Milan to become like Chicago in the 1930s," said Diego Masi, the undersecretary of state at the interior ministry.

With the city, Italy's richest, gripped by rising popu-lar paranoia - "it's the Wild West without a decent sheriff," the head of a Milan residential association remarked - Massimo d'Alema, the prime minister, is due to chair an emergency meeting in Milan today to take stock of the situation.

After the latest murder on Saturday of a tobacconist during a hold up, thousands of citizens demonstrated in the streets of the city asking the authorities for quick and effective steps to combat

Sunday, the tenth day of the new year, was the first to pass without a murder, but a passerby was badly injured in a knife attack on a street in the city's Chinese district. Several other people have been injured in gangland shoot-outs, muggings or

The government in Rome city had become "the centre

Italy, if not of all of Europe". prostitution and drugs rack-In a newspaper yesterday, Mr Albertini said: "In Milan 300 illegal immigrants arrive every day while a total of 277 were expelled from the country last year. We have 65,000 requests from immigrants applying for legal papers compared with 61,000 in Rome, which has 1m more

inhabitants than Milan."

Milan, which has averaged

between 40 and 45 homicides

annually in recent years,

was facing a crime emer-

gency. The separatist North-

ern League mayor of San

Genesio has even proposed

closing his small neighbour-

ing town at night to protect its 3,000 residents. Only one

of the town's four access

voluntary guards.

roads would stay open, and

this would be monitored by Local politicians, the church, and ordinary citi-Many blame the rise in zens acknowledge that not crime on illegal immigrants, all illegal immigrants are especially from Albania and criminals. But along with the former Yugoslavia, the Rome authorities they attracted to the city over the past few years by its wealth. Gabriele Albertini, Milan's rightwing mayor, said the

say Milan has now become the target of criminal organisations not just from the old Italian south but also from Albania, Croatia and Russia.

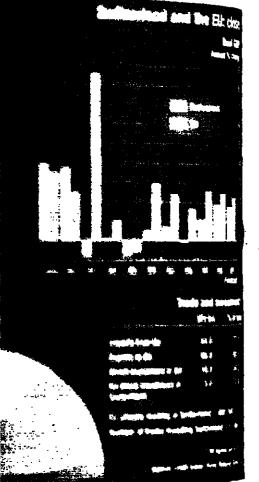
ets, as well as the growing army of professional beggars at road intersections. This has led to an alarming rise in gang warfare over terri-

Milan, a demoralised city that has never fully recovered from the impact of the "tangentopoli" or "bribesville" scandals of the early 1990s, had been seeking to polish its image and revive its status as an important European financial centre in the age of the euro. It now also claims to be

the world fashion capital. But the crimewave has even upstaged the current annual men's fashion shows. Nicola Trussardi, the fashion designer, said he was considering designing bullet proc waistcoats. A year ago. Milan invited

Rudolph Giuliani, the tough mayor of New York credited with dramatically cutting crime in the "Big Apple", to advise it on crime control. Mr Giuliani did not come but gave an interview yesterday to Milan's Corrière della Sera suggesting the city adopt his "zero tolerance

approach. Not everybody is gripped by fear. Gianfranco Ferre. another fashion designer sought to play down local hysteria. The rise in crime be said, reflected Milan's coming of age as "Italy's most European city", a melting pot of nationalities.



ill trade partners

Lafontaine to present 'neutral' first budget

Germany's finance minister, yesterday acknowledged his ist budget, due to be preshied to cabinet next week. ould be broadly unchanged from plans left by the former government of Helmut Kohl.

Against a deteriorating economic background, he had agreed a "relative neutral" revised budget for 1999, Mr Lafontaine said. "That

His comments came as finance ministry figures on manufacturing orders highlighted Germany's economic slowdown since the end of last year. Overall, orders fell by 1.5 per cent between October and November. while overseas orders were down 2.4 per cent.

Mr Lafontaine said the expected slowdown in ecoomic growth meant strict budget consolidation could not be justified.

But despite his repeated demand-orientated policies in Europe, Mr Lafontaine also reigned back any ambition to expand government spending to stimulate eco-

Last week he confirmed the new government would abide by the constitutional requirement that new borrowings do not exceed investment spending.

He is expected to stick broadly to overall 1999 budet plans drawn up by Theo Waigel, the former finance

Kosovo Albanian guerrillas,

under heavy international

pressure and an apparent

threat of Yugoslav army

retaliation, said yesterday

that they would release

some of the eight Yugoslav

soldiers they were holding.

Renters reports.
"It is unlikely that we will

free all of them," Bardhyl

Mahmuti, who speaks for the

guerrilla Kosovo Liberation Army (KLA) in Europe, told

a news conference in

Mr Mahmuti said they

would be freed probably

What happened after that,

They have threatened to

sume an offensive against

We would expect the

KLA strongholds if the eight

are not quickly released.

later yesterday or today.

he said, depended on the

Yugoslav authorities.

will be freed," he said.

Serb soldiers

By Raiph Atkins and Frederick minister. These envisaged federal spending of

> DM463.4bn Mr Waigel had budgeted for 1998. Net borrowing would have fallen to DM56.2bn from DM56.4bn last year. Mr Lafontaine also

> acknowledged little progress would be made this year in cutting unemployment. He expects 2 per cent growth mists believe gross domestic product needs to be rising by ation to take off.

Meanwhile, Germany's employers groups have taken to cyberspace in a bid to solve the worsening problem of succession in the small and medium-sized business sector, the Mittelstand, widely seen as the backbone of the country's

In a project supported by the government, the chambers of industry and commerce (DIHT), the federation of crafts industries (ZDH) and the state-owned Deutsche Ausgleichsbank, have calls for a greater focus on launched a web-site marketplace for people wishing to sell their businesses and those wishing to acquire

The initiative highlights changes within the largely privately-owned Mittelstand where many of the founding entrepreneurs are now retiring or dying off. In many es the traditional practice of passing on a business within a family is not an option as the younger generation is unwilling to take on

some Albanians. If they do,

Monitors from the Organi-

sation for Security and

Co-operation in Europe

(OSCE) in Kosovo have been

working round the clock

since Friday trying to per-suade the KLA to free the

soldiers it captured near the

northern town of Kosovska

They were backed by

demands from Nato and Rus-

settlement were clouded yes-

terday by KLA demands that

some ethnic Albanians

detained in Yugoslav prisons

be freed in exchange for the

Neither Mr Mahmuti nor a

KLA statement carried by

Kosovo Albanian media in

Pristina, capital of the Alba-

njan-majority province,

made clear how many ethnic

Mitrovica.

breaks up By Robert Graham in Paris main rightwing parties has been broken by a serious

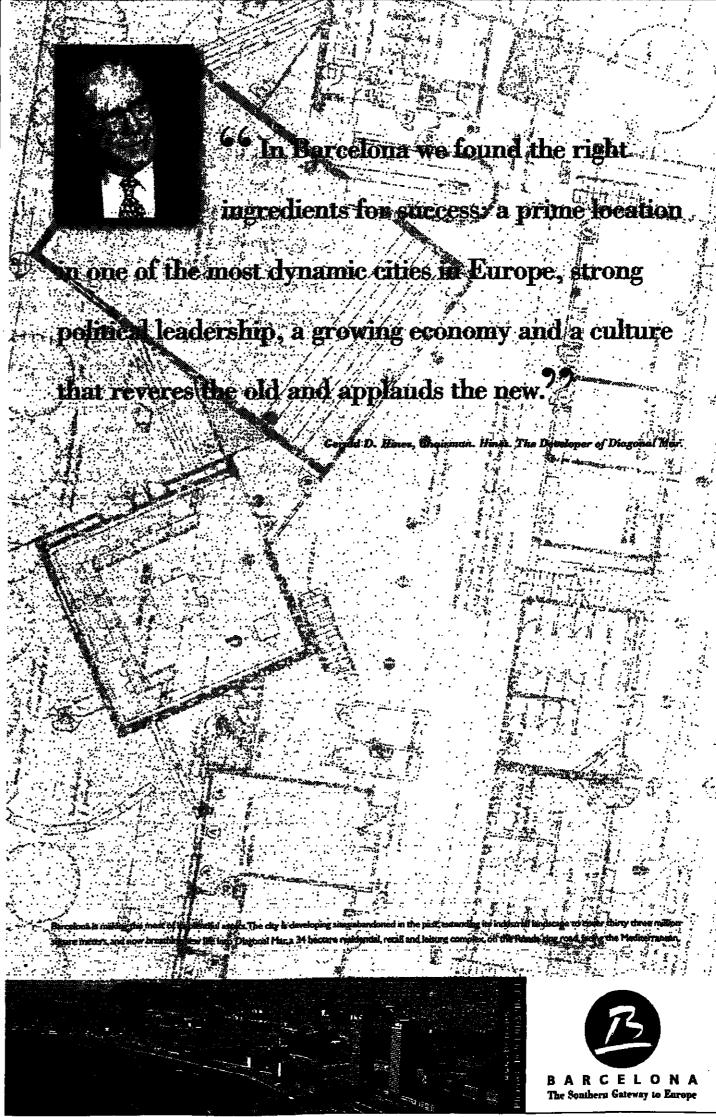
split after they backed differ-

The divisions emerged

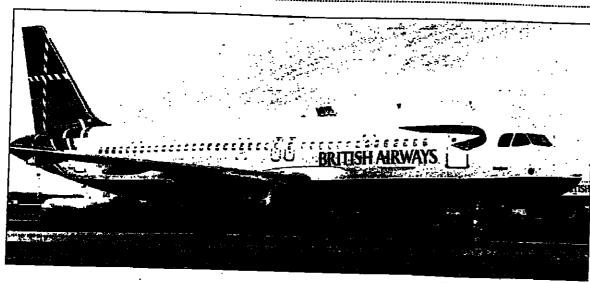
with Front backing.

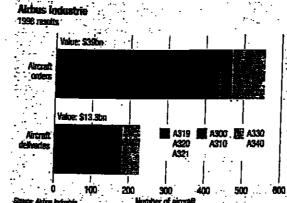
As a result Anne-Marie

KLA to free some we will free more," said Mr party, The Right.



extended





reraft for the first time last year, giving a big boost to the

AIRCRAFT PRODUCTION EUROPEAN CONSORTIUM WON 556 ORDERS LAST YEAR BUT STILL TRAILED US RIVAL

Airbus's record year fails to match Boeing's

and David Owen in Paris

Airbus Industrie, the European aircraft consortium, yesterday announced record orders for 1998 but still finished behind its rival, Boeing of the US.

Airbus said it took 556 firm orders last year, an increase of 20 per cent on 1997. The orders, valued at \$39bn, included sales to traditional Boeing customers such as a consortium of

British Airways, which last year ordered Airbus aircraft for the first time. However, Boeing announced on Friday that it had won orders for 656 aircraft in 1998.

Airbus, which is owned by Aerospatiale of France. DaimlerChrysler Aerospace of Germany, British Aerospace and Casa of Spain, had hoped to win more orders than Boeing - something it first achieved in 1994.

However. Noël Forgeard, Airbus's chief executive, said last year he would prefer to

eration of manufacturers which makes no profits or losses in its own right. Its owners plan to turn it into a limited company which will have to cut costs and maximise the price at which it sells aircraft. The Airbus partners had hoped to turn it into a limited company this year but this is now unlikely

to happen until 2000. Boeing also said it would now concentrate on achievand both manufacturers increased their prices. This prompted investigations by the US Federal Trade Commission and by the European Commission. Neither

results of their inquiries. Mr Forgeard said yester-day that Boeing and Airbus come out "about level" last year. He said he was happy that 1998 had enabled the consortium to achieve its objective of remaining on

body has yet announced the

concentrate on profitability ing healthy profit margins approximately equal terms rather than on market share rather than market share with its main competitor. would not be surprised to see some orders from Asia Most of Airbus's orders by the end of the year.

aisle category. The consortium sold 437 of its A320 family of aircraft, which competes with the Boeing 737. Airbus said the financial crisis in Asia had little effect on its business. Asian airlines had cancelled orders for 14 single-aisle aircraft 2000, compared with 229 last but these had all been allocated to other carriers. John Leahy, Airbus's commercial

Airbus said, however, it expected orders to fall during 1999. This would not affect the next two years' order book of 1,309 aircraft. expected to produce 290 aircraft this year and 317 in year. The aircraft delivered last year had a total sales price of \$13.3bn, compared

Appron deni Koreans cut steel exports to stave off clash with US

South Korea's Pohang Iron & Steel (Posco), the world's main Korea steelmaker, is second largest steelmaker, yesterday said it would reduce exports by more than 5 per cent this year to avoid possible trade conflict with Middle East and south east

The decision comes as US steelmakers are demanding that Washington impose quotas on steel imports. which grew by 30 per cent in

But the growth of US imports of Korean steel was far higher at 86 per cent, a result of the sharp depreciathe won, against the US dol-

Posco said it had exported 7.5m tonnes of steel in 1998. but expected to reduce this tonnes for 1999 because of a likely economic slowdown in the US. Japan and China, its biggest overseas markets.

The cut in exports also reflects a decision by Posco to reduce 1999 steel production by 1m tonnes, or 4 per cent, to 24.3 tonnes to prevent a fall in steel prices caused by overcapacity.

Posco said stronger demand from Korean car- friction, Korea will shortly makers and shipbuilders would help compensate for the export cut as the domestic economy recovers, although it predicts its total sales for 1999 will fall by 9

Dongkuk Steel, another exports, which amounted to main overseas markets which include the US, the

by US steelmakers for alla edly receiving low-interloans and subsidies from th holds a 21.6 per cent stake in the company through the state-run Korea Develor

But Seoul said it planned to fully privatise Posco this vear following the successful offer of American Depository Receipts in New York.

alleged government financia support for Hanbo Steel Korea's second largest steel kept in operation through loans from state-controlled banks. Seoul plans to se Hanbo this year, possibly a foreign buyer.

in an effort to avoid trace panies to Washington to explain its efforts to cut exports and sever state links

Young upstarts ready to topple King Maruti

Amy Louise Kazmin on the challenge t India's dominant car manufacturer

Delhi dealerships sold 13,916 Maruti vehicles, 80 per cent of which were tiny Maruti 800s and its more upmarket small car, the Zen.

But this financial year, with just three months left to go, sales have dropped to just 7,630 vehicles. Even Mr Chopra's gloomy goal of selling 10,000 cars by the March year-end now seems a long shot.

Future prospects are even more uncertain. For the last 15 years, Maruti, a 50-50 joint venture between the Indian government and Suzuki of Japan, was the unrivalled king of the roads - the Maruti 800 and Zen have been practically the only option for Indian customers seeking small, affordable cars. But Maruti's comfortable dominance of India's small car market has run its COURSE.

In recent months, Korean companies Daewoo and Hyundai, and India's own Tata Engineering and Locomotive Co. (TELCO), have all launched models to rival the 800 and Zen.

Maruti, just finishing a factory expansion that will increase its annual capacity by 100,000 cars, now faces the challenge of retaining customer interest in a sluggish, highly competitive market.

That could be tough, since Maruti has been selling the 800 for more than a decade. and the Zen since 1993. Plans to develop and introduce new models were delayed by a bitter feud between Suzuki and the Indian government over the appointment of the new managing director.
Though the partners have

now resolved their differences, no new models are likely to be brought in before the end of next year. "They desperately need all new vehicles." says Hormazd Sorabjee, editor of Auto India. "Otherwise, they might be playing football in their new

Maruti officials believe their cars still hold appeal. With competition fiercest at the upper end of the small car sector, their hopes are resting on the 800s' unbeatable low price - and well vative, first-time car buyers

ar dealer Raj Chopra at the bottom of the market sits in his marble-floored office, rubbing roads are traversed by 28m his eyes and forehead. As motorcycles and scooters, India's largest Maruti dealer, and some 3.2m new twohe has plenty of cause for wheelers are bought every year. Their drivers are all During the 1997-98 finan- seen as aspiring car owners. price was right.

In a clear effort to tap into that demand, Maruti, at the end of December, slashed the price of the 800 by 12 per cent to Rs184,995 (\$4,352). The company is also rapidly expanding its dealer network, particularly in small towns where company officials say sales are brisk. Today, Maruti has 187 dealers around India, up from 56

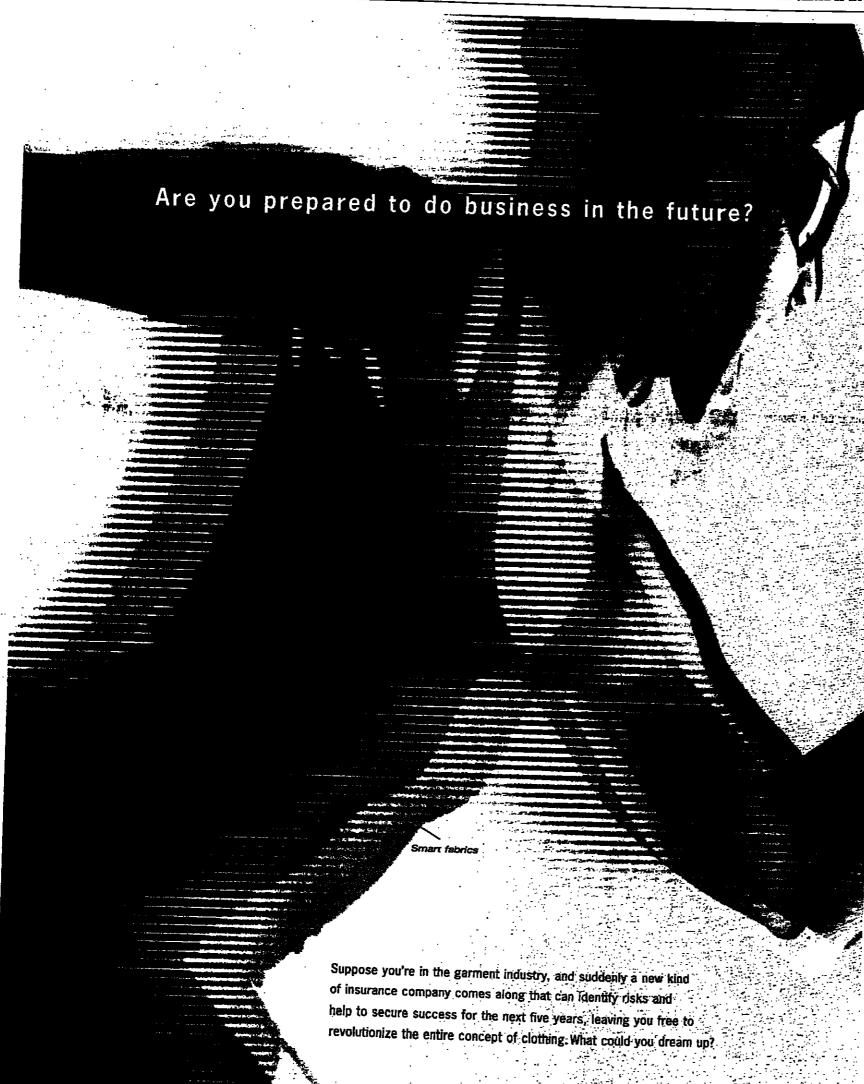
dealers three years ago. Meanwhile, television advertisements emphasise the car's reliability and the ease of getting repairs even in remote corners of the country, with more than 1.240 service stations. "Maruti is tried, tested and trusted," says Jagdish Khattar, Maruti's joint managing director. He adds: "We are going to retain our vol-

ndustry analysts aren't so sure. While Maruti may retain an edge in rural areas due to better distribution, things will be tougher in India's big cities. Many urban dwellers want cars that will stand out from the mass of Marutis already on the road.

With its snazzy Italian body design, the Indica, touted as the first indinously produced Indian is seen as greatest potentia threat. "If TELCO can prove they are reliable and generally trouble-free, they will be very successful," says Mr Sorabjee. "It's a question of more status." Priced at Rs259.000 (\$6,094), the Indica is also far roomier than the 800 or the more expensive

its diesel version, priced at \$6,705, may be an even bigger hit, since it will allow customers to take advantage of cheap diesel. Even Hyundai's Santro, widely derided for its rather awkward appearance, seems to be catching on, with 8,500 cars sold in the first two months.

All of this is enough to give Mr Chopra a headach. He knows that Indian ca buyers are inherently con servative, reluctant to try unfamiliar brands, and may stick with Maruti for a while established reputation - to new cars prove themselves. even that advantage may be



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Setting your future free"

ace group

erosoft as chance.

we for bits

Koreans cut to stave off clash with Ug

Young upstarts

react, to topple

WHITE HOUSE EACH AND EVERY MATERIAL ALLEGATION DENIED

Clinton denial sets stage for bitter trial



By Deborah McGregor in Washington

The White House officially notified the Senate yesterday that President Bill Clinton jenied the charges against Jim in the Monica Lewinsky case, setting the stage for a Senate impeachment trial to begin in an atmosphere of tense confrontation.

In a 13-page legal brief responding to the Senate's formal summons of Mr Clinton, presidential lawyers stated: "The charges in the two articles of impeachment do not permit the conviction and removal from office of a duly elected president."

The White House also sigmotion to dismiss the he and the other committee

trial. But it would probably do so after both sides had had a chance to present their positions. The delay appeared to be

mainly in deference to Democratic lawmakers who wished to see the trial open in a spirit of bipartisanship. The legal summation contained no new information about the case, instead emphasising that Mr Clinton denied "each and every material allegation" in the

articles of impeachment. Mr Clinton's plea of "not guilty" came as no surprise and is consistent with his declarations that he did not commit perjury or obstruct

Meanwhile, the 13 House

managers" who will act as prosecutors in the case were rehearsing their presentations yesterday. Henry Hyde, the chairman of the House Judiciary Committee, said

sure that their opening statements were "coherent and comprehensive" when the Senate trial got under way on Thursday Mr Hyde, a 74-year-old

with a stooped, white-haired appearance, is likely to be a dominant figure in the House presentation, particularly in closing statements. A veteran legislator, Mr Hyde has at times bridled usually in good humour - at the Senate's insistence on directing the trial with as

about the lowly House telling them anything, so I bow and scrape accordingly," Mr Hyde said during the recent inter-chamber wrangling over impeachment proceed-

"They're very sensitive

The House team will have 24 hours, expected to be



House will then begin its

If the schedule is maintained. President Clinton's Congress lawyers are poised to open

address to a joint session of their case on January 19 - lican senators have called

Both Democrat and Repub-

the State of the Union

the speech, arguing that it would be embarrassing for the president to address Congress while he was on trial before the Senate. But Mr Clinton has resisted all such

Alfredo Salgado, operational Colombia's rightwing director of the National paramilitary groups have Police, the death toll as of killed more than 100 people Sunday night was 106. Unofin a renewed wave of vioficial reports say the figure ience after a unilateral could be as high as 123. ceasefire during the Christ-mas period. The attacks are Concern is now growing that the paramilitaries' latlikely to make the country's

Killings may

foil Colombia

peace talks more difficult to

conclude, although the per-

petrators are not part of the

The massacres, carried out

in six provinces over the last

four days, are thought to be a direct response to an

peace process.

at random.

45 people died.

est reprisals may have the additional aim of thwarting peace talks between the government and the largest of Colombia's leftwing guerrilla groups, Revolutionary Armed Forces of Colombia (Farc). The talks, which began last Thursday, are the first in seven years.

attack perpetrated by leftwing guerrillas on a paramil-Paramilitary groups itary camp on December 28 which left at least 15 dead. which have grown in recent years as a response to the In an interview on Sunday guerrilla threat, have long with the local daily newspaclamoured for recognition as per El Tiempo, Carlos Casa legitimate political voice, taño, leader of United Self but this has been largely ignored.

Detence Group of Colombia. the paramilitary organisa-Farc guerrillas were tion, said the string of masrecently awarded political status by President Andres sacres had targeted guerrilla collaborators, denying the Pastrana's government to facilitate diologue with the rebels. As talks between the However, eve-witness two sides begin to explore a reports describe how heavily peaceful solution to more armed paramilitary units than 35 years of armed conrounded up rural communiflict, the paramilitary vioties and picked their victims lence could become a stick-

ing point. On Sunday, while resi-On Sunday, Raul Reyes, dents of the rural settlement one of the Farc's official spokesmen, admitted the paraof San Pablo in the northern province of Bolivar were military phenomenon "is an burying 14 people massacred obstacle for the peace proon Friday, paramilitary cess". Leftwing guerrillas groups carried out new mashave repeatedly accused Colombian governments of helpsacres in three separate provinces in which at least ing create the paramilitary

Safety authorities seek check on US MD-11 jet fleet

by Edward Alden in Toronto

transportation safety ing that the US fleet of McDonnell Douglas-11 aircraft be inspected for possible wiring flaws following conclusions reached by safety inspectors examining last year's crash of Swissair

National Transportation Safety Board urged the US tration (FAA) to require inspections of all MD-11 aircraft for loose wire connections, inconsistent routings. broken wires or other damage near the cockpit.

Swissair flight 111 crashed last September near Peggy's

iour, but in fact they show

us as pro-competitive, trying

Microsoft will portray its

towards internet software in

that light. At the heart of

Microsoft's attack on Net-

scape Communications, the

internet software pioneer.

The government alleges

The defence witnesses will first accuse Netscape of fab-

ricating the claim of a mar-

was not to destroy Netscape,

Microsoft will argue that it

sought to advance technol-

net software free of charge

"By improving Windows

closely with Windows.

one executive.

tute of Technology.

held computers.

refused to take part.

Y SAY We Can-

issued yesterday, the 229 passengers and crew. The investigation has focused on the theory that Federal Aviation Adminis- an electrical fire may have started in the cockpit area. In a letter released vesterday, the Transportation

Safety Board of Canada (TSB) said its investigation had found several wires displaying different degrees of heat damage, as well as evirecommendation Cove, Nova Scotia, killing all dence of electrical arcing,

Chávez

which can result from the breakdown of wire insula-

Some of those wires belonged to an electrical system unique to an entertainment system installed by Swissair, but other wires are common to the entire MD-11 fleet. Swissair has already voluntarily disconnected that system in its fleet of

TSB investigators also visited two MD-II maintenance facilities and said they found several anomalies on the aircraft investigated.

These, they claimed, included evidence of chafed or otherwise damaged wires inconsistent routings and some set-ups that did not meet manufacturers' specifi-

Those concerns were

relayed to US authorities last month and to Boeing. the aircraft's maker, leading the FAA to require a onetime inspection of some of the forward wiring on the

MD-11 fleet.

The FAA said yesterday that it was also planning to issue very shortly new rules to address the wiring concerns raised by the Swissair

Microsoft gets chance

Software group launches defence against charges that it abused its market share

By Richard Wolffe

company on the US stock not use one product to try to market, the last two and a help our other products, but half months - spent in a many companies have come windowless Washington to ask us to do just that." courtroom - have been an unusually uncomfortable controversial strategy experience

Microsoft, the world's largest software company, has the government's case is appeared frustrated and often exasperated by the litany of allegations from the US government and 19 states, which accuse it of Microsoft attempted to carve illegally abusing its market up the internet software power over a broad swath of the computer industry.

The company's executives and attorneys have seemed at times unprepared for the public onslaught, frequently accusing the media - and even the court itself - of being prejudiced against it.

In particular they have complained bitterly about the criticism of Bill Gates, Microsoft's founder and chief executive. Mr Gates has appeared on videotaped interviews as an evasive and ogy by distributing its interobstructive witness.

Today Microsoft's deep and then integrating it sense of personal grievance should dissipate as the company launches its defence case through a series of 12 witnesses. For Microsoft, the witnesses represent its first chance to argue its case beyond the daily press conwrences on the steps of the

lis defence will centre on a mountain of internal e-mails and memos that the US Justice Department sees as its most persuasive evidence that Microsoft has violated antitrust laws.

The senior Microsoft executives who wrote and received the offending e-mails will attempt to set the documents in context, in an effort to convince Judge Thomas Jackson that they amount to little more than evidence of vigorous and healthy competition. The foundation of the

defence case is that Microsoft needs to act aggressively towards potential rivals because it believes that its market power could in the industry. Misappear at any time. Windows, its best selling operat- to the company's legal team ing software, may have a 90 said: "If we were so conper cent share of the personal computer market, but what we wanted, why would Microsoft argues that it faces we spend \$600m on it? We competition from new tech- are scared of competition nology and future rivals.

One executive said: The sure we are doing enough for government thinks it has our developers to recognise shown a lot of bad e-mails the benefits of our technoland anti-competitive behav- ogy."

signals further to fight back policy shift

Hugo Chávez, the former to compete by improving our | coup leader who won Venelast year with a populist economic programme, has given further signals that he may adopt orthodox policies more to the liking of investors. Mr Chávez, who takes

office on February 2, said over the weekend that Maritza Izaguirre, the current finance minister, would con-"It's a positive sign. She is known to the markets and has experience in pegotia

ting with political parties market in 1995 with Netand multilateral lending agencies," said Boris Molina. scape, and then sought to destroy its rival when it an analyst with Santander Investment in Caraças. Mrs laguirre underscored her commitment to fiscal discipline yesterday. She ket carve-up. However, their

said the 1999 budget would more substantial argument have to be cut in line with a more conservative estimate will be that Microsoft's aim of all revenue. One of her priorities would be to but simply to improve its core product, Windows. strengthen the government's non-oil revenues. The Chavez government

faces a budget deficit estimated at 8 per cent of gross domestic product, as well as a deep-seated recession and In a further ludication that

we sell more Windows," said Mr Chavez may avoid inter ventionist policies, his eco-Microsoft's case will begin nomic advisers endorsed a with more than 400 pages of testimony from its economrecent electricity rate ics expert witness. Richard increase for this year. The move could pave the way to Schmalensee, dean of the Sloan School of Management continue the sale of selected at the Massachusetts Instipower sector assets. Mr Chávez has also

The company claims Mr pledged to respect the contracts of multinational oil Schmalensee has gathered companies operating in new economic data to prove Venezuela, although he that the company does not and cannot - behave like a suggested he would redirect funds from PDVSA, the state monopoly because of potential competition from new oil company, to promote growth in non-oil sectors. technology such as hand-Concerns remain how

However, the most critical ever, whether Mrs Izaguirre would have the authority witnesses will be the senior and leadership to tackle the Microsoft executives who country's daunting economic problems. "The economic have managed its competitive strategy towards softcabinet requires a strong ware rivals and computer leader and it is not clear makers. The company espewhat power Chávez will give cially points to its support for independent software her," said Mr Molina. Robert Gay, chief stratedevelopers as evidence of its

gist with Bankers Trust Alex commitment to competition Brown, the investment bank, said: "Chávez has been mak-One Microsoft source close ing the right noises but there is still that lingering vinced that they had to do doubt whether he is really committed to open market reform and transparency." and we have to fight to make

Mrs Izaguirre was appointed last July after a career with the World Bank, International Monetary Fund and the Inter-AmeriGreat homecomings guaranteed.





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A NEW PERSPECTIVE

Bankers hopeful Asia crisis has bottomed out

Central bankers meeting in Hong Kong yesterday expressed optimism that the Asian financial crisis had economies would start to

the mend," said Andrew Crockett, general manager of Settlements, which hosted

Europe and Asia.

to restore full financial health, but I sensed a degree bottomed out and that of optimism that the worst financial situation had now improved." This would pave that the crisis was now on the way for economic

Dai Xianglong, governor of the Bank for International the People's Bank of China. heartened the gathering by

cent. In spite of the collapse of Guangdong International Trust & Investment Corp. the investment agency flagship of the wealthy had now happened and the southern Guangdong Hayami, governor of the province, Mr Dai did not see

> However, individual central bankers had less cause for cheer. Alan Greenspan, chairman of the

moderately, although would handling of a weakened year or two, said Mr rates to floating currencies according to Mr Crockett.

Mr Crockett also relayed Bank of Japan, who told his peers that the any constraints on adequate Japanese economy would crisis. grow this year, albeit

The central bankers met to discuss a range of issues,

still be satisfactory, banking system. Hedge Crockett. funds also leapt on to the agenda - a subject of great the sentiments of Masaru interest to Asian central elusive for the assembled bankers, who believe the central bankers. Greater hedge funds were partially responsible for the regional

> clearer understanding of the different role of hedge funds, and the environments - from big, degree of responsibility that

But ways of bringing hedge funds to heel proved transparency would be hard to impose on the nonregulated hedge funds, Mr "I think there's now a Crockett said, adding that operating

yesterday's meeting of 17 outlining the mainland's US Federal Reserve, said including the restructuring they have for the volatility more illiquid ones; or from central bankers from the US, robust growth targe, of 7 per growth in the US would ease of Asian banks and the that happened over the last those with fixed exchange those with fixed exchange and Asia. also created difficulties in regulation. Moreover, some are offshore entities.

"Obviously transparency is important in making markets work more effectively and in creating a level playing field, so there was no dispute that more disclosure and transparency would be helpful," he

Soldiers beld and steps up held over Indonesia killings

Indonesia's military yesterday arrested 30 soldiers over the death in detention of at least four civilians in the restless province of Aceh, in an attempt to defuse tension in the country's most explosive hot

Johny Wahab, military commander in Lhokseumawe region, said soldiers, apparently responsible for the death in detention of four civilians over the weekend would be court-martialled before the end of the

"I cannot justify what happened on Saturday," he said. referring to reports that four out of 40 arrested Acehnese. suspected of supporting a secessionist movement, had been tortured or beaten to death after they were detained. A human rights activist said another three were missing and 26 were wounded.

Soldiers killed at least 11 civilians, by some counts 17, during clashes earlier this month. Acehnese villagers supportive of a small rebe movement kidnapped and killed seven soldiers lat. December, sparking a military crackdown that in turn led villagers to run amok.

The escalation in Aceb the westernmost tip of Sumatra island, comes amid a new spate of isolated riots across Indonesia that has raised fears of worse to come when the Moslem fasting month of Ramadan, usually a time of moderation and prayer, ends next week. Riots targeting the ethnic Chinese minority spread across Indonesia last Febru-

Many Indonesians are borrowing or spending their last savings to celebrate the end of fasting, pushing up food prices, and the resulting

Australia hosts Hollywood and worries it may be swamped Lisa Murray finds it as a new era for the local to be a future competitor for film industry. to be a future competitor for Fox and Warner-Roadshow. It horrified some in the UK film industry. The first Star

the coming of big league production companies is creating unease

he latest star on the international film production stage is Australia, dubbed rather disparagingly as "Hollywood Down-Under". The term refers to the country's growing popularity as a cheap

The prime beneficiary so far has been Rupert Murdoch, head of the News Corp empire which owns Australia's largest and most modern film facility, Fox Studios

large American film produc-

Mr Murdoch's latest celluloid catch is the sequel to Mission Impossible, the 1997 blockbuster starring Tom

Filming on Mission Impossible II, which will also star Mr Cruise, is set to start lia's growing film production early this year, with the production team aiming for a

signed up by Fox Studios in brated its 10th anniversary recent months was George this year with a record of Lucas, the US film maker. more than Mr Lucas announced late last year that he would produce two episodes of his Star Wars series at Fox in Aus- ing director, said the studios tralia. The decision shocked had generated export earnsome local critics and ings of nearly A\$300m.

Wars episode - number four in the new numeration -Mr Lucas claiming the project "revived" the British film industry.

Among local critics, some Australian film makers warned such projects could accelerate a trend they claim and increasingly well into a cheap offshore loca-equipped destination for thon for Hollywood producinto a cheap offshore locaers. Ultimately, a foreign invasion could kill off local industry, they said.

Mr Lucas, who directed the original Star Wars, and Rick McCallum, the film's producer, said their choice of Australia was partly based on the "incredible pool of talent" available locally. The agreeable weather, low costs and even more agreeable exchange rates were further incentives.

est player to enter Austraindustry. Queensland's Warner-Roadshow studios. the country's first nuroose-Among other big names built studio complex, cele-(US\$400m) worth of feature film and TV series productions. Michael Lake, manag-

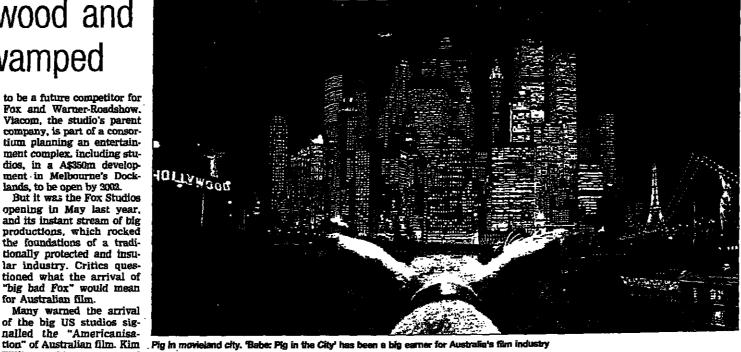
Viacom, the studio's parent company, is part of a consortium planning an entertainment complex. including stuwas filmed in the UK, with dies, in a A\$350m development in Melbourne's Dock-

lands, to be open by 2002. But it was the Fox Studios opening in May last year, and its instant stream of blg productions, which rocked the foundations of a tradiis transforming Australia tionally protected and insular industry. Critics questioned what the arrival of "big bad Fox" would mean for Australian film.

Many warned the arrival of the big US studios signalled the "Americanisa-Williams, chief executive of Fox Studios Australia, insists the trend "can only be healthy" for local indus-

The studios will generate serious investment in Australian films and the oppor-Fox Studios is just the lattunity for local film makers to play on a bigger stage, he

Among local film makers. however, one main concern is the divisive effect the big studios could have on the industry, putting the bigger budget films into a completely different league to smaller budget productions, which tend to compensate for lack of resources with greater creative input. The fear is the two tracks will develop into distinctly differ-



which would be too difficult mentality that has governed

to reconcile. The total value of Australian feature films and independent TV drama produced in the year to June reached a record high of \$421m, according to the Australian

Of the 38 Australian films, The Matrix and Babe: Pig in the City accounted for more than half the combined budget. The rest averaged under \$6m each. The danger, said critics, is that rather than encouraging local product, Fox Studios would have a discouraging effect. Mr Williams dismissed the

notion of two industries as a "conspiracy theory": "People need to look beyond Austra-Paramount studios is set ent film making cultures lian films and the fortress

our creative life over the last 25 years...and recognise that this is another stage in the growth and outreach of Australian film.

In the past, high public funding for the Australian film industry has allowed film makers to develop a distinctive, creative style with a strong indigenous bent. In the process, they have covered a broad range of subjects from diverse perspectives, seen in internationally successful films such as Priscilla: Queen of the Desert, Muriel's Wedding, and Shine, as well as the more traditionally Aussie Crocodile Dunder films.

Of the recent successes. The Castle, a comically

parochial view of Australian life shot in six weeks with a budget of just \$700 000, has since grossed \$10.3m at the box office. "Shine", about pianist David Helfgott, received seven Academy Award nominations and achieved international box

office takings of \$120m. Sharon Connolly, chief executive of Film Australia. a government-owned production house, said successive governments had recognised because we are Englishspeaking but a small nation, that to preserve some sort of culture and integrity and to build a good solid industry you need to provide subsidy of quite considerable amounts".

But the reality of a global

local industry and big studios are irrevocably changing the shape of film produc-

Industry executives predict this year will show an increasingly commercial influence in Australian film. Planned projects are moving toward more mainstream themes, including romantic comedies in the vein of Crocodile Dunder. Dear Claudia with Bryan Brown and Paperback Hero with Claudia

With Tom Cruise and Luke Skywalker on their way into town. Australian film makers will have little choice but to address the issue of reconciling the "big" with the "small."

hardship is bound to fine frustration with the unre-15.

Anwar greets successor's appointment

in Kuala Lumpu

Anwar Ibrahim, the former Malaysian deputy prime minister who was jailed and beaten after being sacked, yesterday welcomed the appointment of Abdullah Ahmad Badawi as his suc-

Mr Abdullah, who was foreign minister, has a reputa-

This table shows growth rates for the most widely followed average equity market yield. All figures are percentages.

UNITED STATES

ical asset at a time when prime minister.

Malaysian critics have taken However. Mr up Mr Anwar's rallying cry against corruption, cronyism and nepotism in the adminis-

Mr Abdullah is replaced at the foreign ministry by Syed Hamid Albar, who had been serving as defence minister. in the foreign ministry, Mr Abdullah developed a reputation as a loyalist of tion because there were too Mahathir Mohamad, the

shocked by the appointment of Dr Mahathir's confidant, Daim Zainuddin, to the finance minister position Mr Anwar was also forced out of

Mr Daim served as finance minister in the 1980s. "Mahathir told me that he accepted... Daim's resignamany allegations of corrup-

Anwar said.

The two men emerged as rivals in the middle of last year. Mr Anwar was subse quently sacked. He is on trial on charges of sexual misdeeds and related counts of abuse of power. He denies them all, saving they are a part of a plot to punish him for challenging Dr Mahathir.

GITIC BANKRUPTCY CREDITORS TOLD NOT TO EXPECT FULL OR EVEN PRIORITY REPAYMENT

rime minister. However, Mr Anwar was bocked by the appointment tion against him, that he had amassed wealth when he was minister of fine to the land amassed when he was minister of the land amassed when the land amassed wealth when he was minister of the land amassed when the land amassed wealth when he was over investments in China

By James Harding in Shanghai and Louise Lucas in Hong Kong

The resolve of many foreign banks to scale down operations in China has been stiffened by the problems facing international creditors of a failed Guangdong investment company.

Bankers in Shanghai said many foreign financial institutions would further lose their appetite for China risk after creditors of Guangdong International Trust and Investment Corporation (Gitic) were told not to expect full or even priority repayment on outstanding loans to the bankrupt com-

Some foreign banks, such as Société Générale and ING. have recently started to cut staff and other costs at their mainland China branches, A number of Japanese and Korean banks with serious problems at home have withdrawn or plan to exit China.

The head of one leading international bank in Shanghai said yesterday: "In the light of the lack of support for Gitic, foreign banks are going to be reviewing their anything that in any way is marginal. They were with-drawing from Asia anyway, so this is not a big shock, but a further justification for

Large, long established banks would not be much swayed from their commitment to China, he said. But, many financial institutions would tilt lending towards foreign companies operating in China and away from mainland Chinese busi-

Standard & Poor's, the US rating agency, said: "Gitic's bankruptcy marks a turning point for Chinese companies, which must deal with the loss of state support to become free-standing, market-oriented enterprises. It also represents the biggest casualty yet in China's economic transformation."

Foreign bankers were rattled in October when the government abruptly shut down Gitic, which was backed by the government of the fast growing Guangdong province and once one of the best known mainland Chinese borrowers on international capital markets.

The mood was unsettled again yesterday, as foreign banks digested the initial results of a weekend meeting for creditors. The administrators said that foreign banks should not expect full repayment, that they would not receive preferential treatment, that they would have to wait another three months for progress as they were required to re-register debts and that total liabilities were US\$4.37bn - double

original estimates. "Short-term it will have a negative impact among foreign lenders and make them more cautious about lending," said David Marshall. managing director of IBCA, countries, was likely to Asian borrowers.

the credit ratings agency, widen, one banker noted. "But longer-term it's not a had thing.

David Carse, deputy chief executive of the Hong Kong Monetary Authority, the territory's de facto central bank, said banks would have to increase their 1998 provisions against Gitic. One foreign lender said

the decision not to bail-out foreign lenders to Gitic, even though it had been backed by a provincial government, would make a clear distinct tion between sovereign and non-sovereign debt - a line that has been blurred by the "quasi-sovereign" label attached to loans to many Chinese state-owned companies. The credit spread

between the two, as in other

bilities were remarkable for the absence of the monumental misspending and fraud some people feared. He: suggested the government 7 could have saved Gitic - and 1 some embarrassment - by rescuing it when it faced what was fundamentally a liquidity crisis last summer. Another remarked that anxiety over Gitic and many

Following the review of

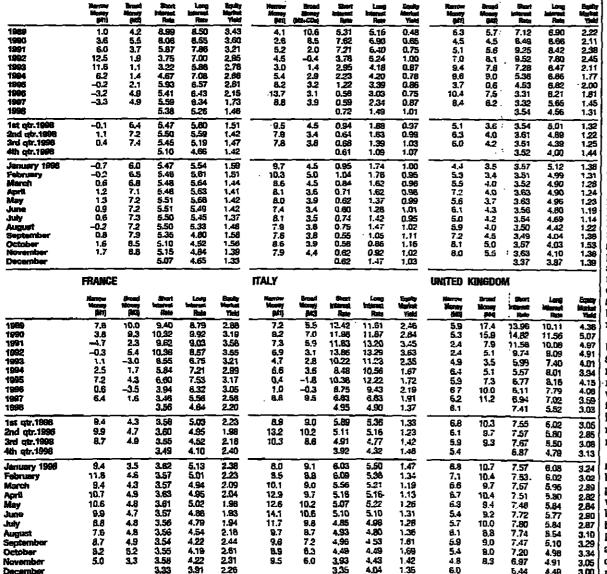
months of market specula-

tion, one banker said the lia-

of the other international trust and investment companies - known as the ities had not fed through into the pricing of sovereign paper. which is still commanding lower yields than other

ist me.

Elle Scient



FT Credit Ratings publications Default Who is In today's financial markets your firm's prospects depend more than ever before on the objective assessment of credit risk. Whether your exposure is as investor, lender, counterparty or depositor you need instant access to comprehensive, easy-to-use and authoritative information on default risk. FT Credit Ratings International and FT Credit Ratings in Emerging Markets have been designed to meet this need by bringing together the rutings of the

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Iraq steps up tension with threat to Kuwait lind over I Iraq steps up tension with threat to Kuwait lind over I Iraq steps up tension with threat to Kuwait medical supplies by Iraq be Reypt has continued, since with medical supplies by Iraq be Reypt has continued, since william Cohen, US deferenced western

bombed an Iraqi missile site and Kuwait put its armed forces on maximum alert after Iraq appeared to threaten their joint border after rejecting a Saudi Arabian plan to ease economic

sanctions The US military action in the northern Iraqi no-fly zone hit two Iraqi anti-aircraft missile sites near the Iraqi regime. Grand Ayatol-town of Mosul. The US lah Sheikh Bashir Najafi was

the votes from elections at the weekend

intended to take the country

a step closer to civilian rule,

its military leaders were

counting the cost of the

country's deepening involve-

ment in the civil war in

Like the cost in lives,

defence spending on the war

is shrouded in silence, with

increases coming at a time

when Nigeria can least

In the past three weeks

Nigeria, which dominates

the west African interven-

tion force, has poured in

thousands of additional

troops to stave off attacks by

rebel forces determined to

overthrow elected President

Reinforcements have

brought the total interven-

tion force to more than

15,000 soldiers, and Nigeria's

own commitment approach-

ing a quarter of its army.

They have not stopped rebel

forces - backed, according to

western and regional govern-

ments' by neighbouring

Liberia – from taking over large parts of the capital

More is at stake than the

already bleak future of one

of Africa's smallest and

poorest nations. "This is not

said one West African diplo-

just a Sierra Leonean issue,"

Freetown.

Ahmad Tejan Kabbah.

Sierra Leone.

afford them.

Trouble abroad threatens to add to many

problems at home, writes William Wallis

s Nigeria was counting mat involved in efforts to

and had acted in "self-de-

Exiled Iraqi Shi'ite Mos-Iraqi government for an Iraq's southern no-fly zone, established in 1991 to protect the Shi'ite minority from the

Nigeria counts votes — and the cost of

its involvement in Sierra Leone war

resolve the crisis. "There are dissidents in countries

across the region. If you

allow the rebels to succeed

in Sierra Leone, what stops

other movements from ris-

Nigeria, Africa's most pop-

ulous nation, may well be

asking itself that question.

Its economic collapse and

long-term misrule have

brought it to the edge.

Regional and ethnic divi-

sions have dominated elec-

tioneering in the transition

in the oil-producing Niger

Delta has become acute. Mil-

itant local activists demand-

ing a fairer share of the pro-

ceeds from; Nigeria's 2m

barrels a day have proved

themselves capable of clos-

If the army were to be years ago.

-COTE

BUREINA FASO

D'IVOIRE BHANA!

ing a third of production.

ing up?" he asked.

to democracy.

GUINEA

al-Khoei Foundation said.

Meanwhile, Iraq intensified the escalating crisis in lems yesterday blamed the relations with its Gulf neigh-Iraqi government for an bours by denouncing those attack on a senior Shi'ite who refused to condemn US cleric in the holy city of and UK air-strikes against new restrictions on Iraq part of its 15,300-strong Najaf. The city is within Iraq, and threatened to after the failure of their launch attacks inside

Kuwait and Saudi Arabia. Iraq's blunt rejection Iraq yesterday rejected a reflects the rapid deteriora-Saudi Arabian offer to propose to the UN that sanc-

humiliated by Sierra Leone's

activists might be embold-

ened in their threat to shut

more production unless

If the leaders of the three

political parties which con-

tested the state elections

have any plans to deal with

Sierra Leone and the impact

it could have at home, they

The People's Democratic

party, a broad coalition of

prominent political figures

from across the country, has

party, winning more than 50

per cent of votes in the state

elections last weekend. The

east of the country among

the ethnic Igbo, lending

additional force to the presi-

dential bid of Alex

Ekwueme, a favourite son of

the east and a vice-president

when Nigeria was last ruled

by civilians more than 15

NIGERIA

emerged as the leading stiffer.

are not disclosing it.

At the same time the crisis party won strongly in the

demands are met.

motley crew of rebels, Delta for the PDP's presidential

uty prime minister, said the offer was identical to "British ideas submitted to the United Nations in order to cover the Anglo-American dam Hussein's regime. aggression and to impose Kuwait yesterday placed

tion of its relations with leading Arab states, A

candidacy is former military

ruler Olusegun Obasanio

whose supporters tout him

as uniquely qualified to pre-

side over the task of

restructuring the army and

keeping it out of politics

But the two other parties

qualified have formed the

basis of an electoral pact,

which could make the presi-

dential contest in polls

scheduled next month much

which Nigerians have gone

out to vote is a measure of

their desire to see an end to

the days of unaccountable

military rule. But social unrest is building and any

government's ability to force

through austerity measures

demanded by the low world

oil price is likely to be chal-

lenged by a hungry and

Predictably, in their

search for votes, politicians

have come out in force

against fuel price increases

and gone further in some

instances, promising free

health care and education

they will be hard put to

afford. The return, amid offi-

cial silence, of the bodies of

Nigerians killed in the fight-

ing in Sierra Leone is a

reminder that a future civil-

ian government might well

be inheriting an unpopular

foreign policy as well.

angry populace.

enthusiasm with

long enough for democracy

to take root.

The

Egypt last week blamed the Iraqi government for the country's plight and said Egypt did not support Sadarmed forces on maximum alert and may call up its

24,000-strong reserves follow-ing a statement by Mr Aziz on Sunday in which he

William Cohen, US defence secretary, said yesterday that Washington would act if Kuwait appeared threatened. • Kofi Annan, the UN sec-

retary general, yesterday called threats over the weekend in the Iraqi parliament. including demands for rescinding recognition of Kuwait's independence, "a major challenge for the security council and the UN."



Likud hardliner challenges Netanyahu in election fray

Moshe Arens, a former unite Likud." Likud will hold Israell defence minister, yes-terday announced his candidacy for the leadership of the conservative Likud party and the premiership, writes Avi Machlis in Jerusalem.

The hardline Mr Arens appealed to Likud defectors of recent weeks to return to the party. "My chances of the upcoming elections are greater than Benjamin the United Nations 15 years Netanyahu," he said. "I can

a vote for the party leader-ship on January 25. Although he stands little chance of winning, Mr Arens' decision is another blow to Mr Netanyahu. Mr Arens, one of the prime minister's first supporters within the party in the early 1980s, helped get Mr Netanyahu his bringing Likud to victory in first high profile appointment as Israel's ambassador to

Nazarbayev wins big majority in marred vote

in Almaty, Kazakhstan

leader state, and on fighting cor-Kazakhstan's Nursultan Nazarbayev has secured himself another seven years in power, with preliminary results giving him more than 80 per cent of the vote in Sunday's presidential election.

But the election process was fiercely criticised by the Organisation for Security and Co-operation in Europe which condemned the lack of democratic conditions in the election campaign.

"The election process fell far short of the standards to which the republic of Kazakhstan is committed as an OSCE participating state," said Judy Thompson, co-ordinator of the OSCE evaluation team in Kazakhstan.

Ms Thompson listed numerous violations in the pre-election period and some irregularities in the voting procedures.

The runner-up, Mr Serikbolsyn Abdildin, the Communist party leader also accused the incumbent of vote-rigging.

Diplomats and observers interpreted the OSCE criticism as particularly strong. This is a big slap in the face for the president," said one analyst.

Mr Nazarbayev greeted the result with satisfaction. "This moment is historic for the Kazakh people and for our state because for the first time in our history we held (multi-candidate) elections."

In the same breath, however, he warned of an economic "crisis year" ahead as low oil prices and the spillover effects of the Russian crisis are felt. He said Nurlan Balgimbayev would remain prime

gramme of anti-crisis mea-

taken a particularly steep downhill curve in the last years," the western analyst "The future will depend on

parliamentary and local elections, if (the president) will use them to establish total power or a modicum of free-On the economy, though,

on further democratisation

in this vast former Soviet

ruption and maintaining

political stability, be

Mr Nazarbayev promised to pay particular attention to

the 20 per cent of the elector-

ate who did not vote for him.

"Thev were not satisfied with their standard of liv-

ing," he said, acknowledging that 12 per cent of the vote

For most residents of Kaz-

akhstan it sounded like busi-

ness as usual. Few in fact

expect these elections to

"There was no way (Nazar

bayev) was going to risk

anything over the presi-

dency," said one western

The international commu-

nity is waiting to see what

will follow. Many remain

sceptical, if hopeful, about

the president's statements

that he will pursue greater

democracy after the elec-

in electoral probity has been

downhill for years and has

went to Mr Abdildin.

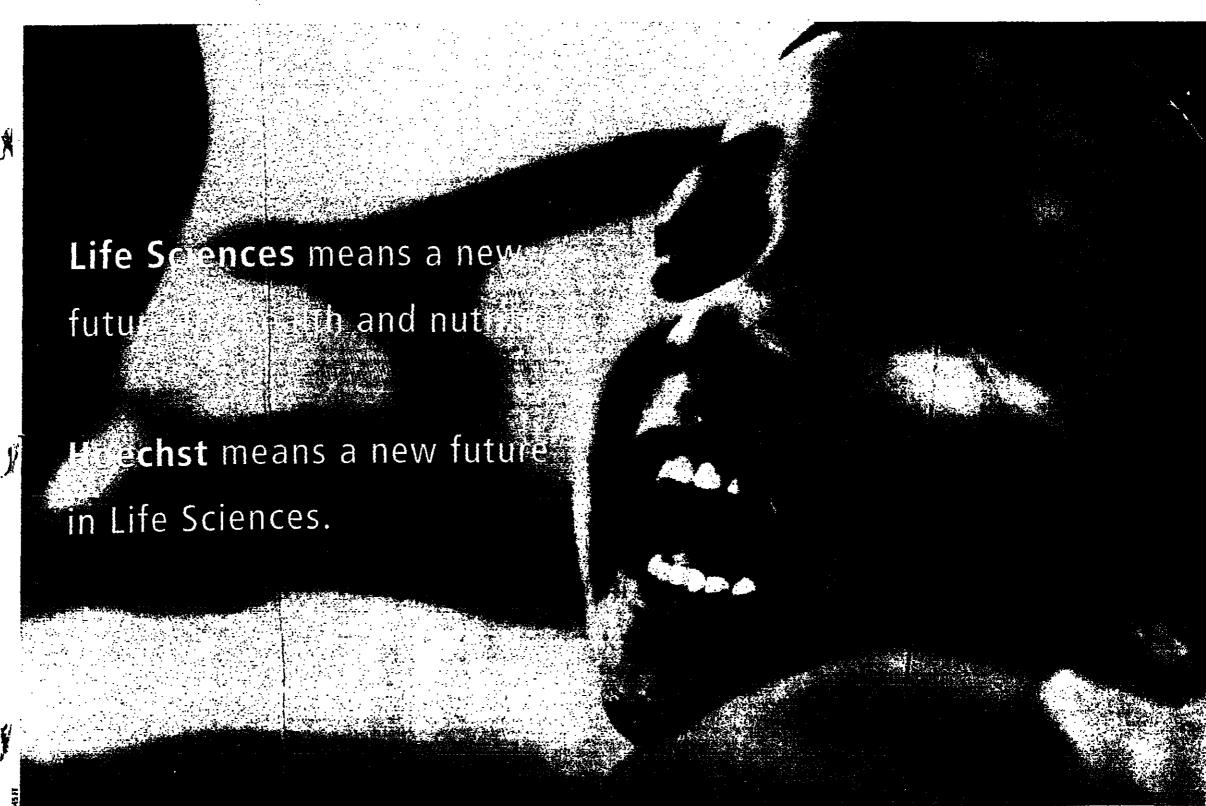
change anything.

many believe Mr Nazarabayev is the right man for the job, regardless of his lack of legitimacy at the ballot box. "It is positive that he win," said Pyotr Svoyk, a former minister and opposition politician. "There could be a serious worsening of the economy, and we need minister and lead a pro- stability. We will not try to

unease grows s in China

For Hoechst, Life Sciences means focusing on the fields of health and nutrition where biotechnology holds the key to innovation. Hoechst Marion Roussel, our pharmaceutical company, is developing highly effective drugs in the fight against currently incurable diseases. Our agribusiness, Hoechst Schering AgrEvo, is ensuring nutrition for the world's growing population through integrated crop production.

The Future in Life Sciences Hoechst



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The state-owned UK Post Office yesterday joined the contest to remain one of Europe's dominant postal operations by taking over executive, said the German German Parcel, Germany's Parcel acquisition was a third largest private carrier.

Yesterday's announcement of the Post Office's first large acquisition outside the UK wide parcels capacity." comes only weeks after the government granted the corporation greater freedom to operate on a commercial basis. Europe's postal market is becoming highly com- Post Office as the most mod-

ticular, pursuing active acquisition policies. The UK Post Office had, until last month's government decision on commercial freedom, been constrained from joining in. John Roberts, chief "landmark" for the corporation. "At a stroke we have

hugely enhanced our world-German Parcel handles around 100m items a year and its distribution centre at Neuenstein, north of Frankfurt, is regarded by the UK

The company employs 4,500 acquiring German Parcel go people and annual sales currently £250m (€357m, \$420m) ~ grew by 11 per cent

Negotiations to acquire German Parcel were complicated by the fact that it consisted of 24 franchise businesses managed by a central company, and all had to be taken over. Mr Roberts declined to say how much the deal cost the UK Post Office. Speculation in the industry, however, suggests that the purchase price is likely to have been around

Post Office managers

beyond winning a strong told the UK government of position in the German parcels market, one of the most important in Europe. German Parcel - which holds 23 if its conclusion had not per cent of the shares in General Parcel, an international operation serving 30 European countries - has an extensive distribution network. This will be invaluable

the parcels one. The acquisition will be funded by a mixture of Post Office reserves, commercial borrowing and government borrowing at commercial

to the UK Post Office if a

cross-horder market in letter

delivery develops alongside

rates. Post Office manager the negotiations last year They intended to urge minis ters to approve the deal even coincided with the announcement of increased commercial freedom.

EU postal markets are being liberalised in stages. Mr Roberts agrees with many analysts that eventually there are likely to be only three of four really big operators in the continent. He said the purchase, "underlines the Post Office's determination to position itself globally as the com-

Danish cash to help fund diabetes centre

By David Pilling.

The UK state health service will today launch what it calls "a unique alliance" with the drugs industry and academic researchers to set up a £10m (\$16.8m, €14.2m) "centre of excellence" in dia betes and related illnesses. Novo Nordisk, a Danish

drugs company specialising in diabetes, will donate fAm to the centre in the univer sity city of Oxford, which aims to bring academic research, clinical practice and teaching closer together The health service will spend £4.2m to relocate patient services from the city's Radcliffe Infirmary to the new building, likely to be completed by early 2001. Other private sector funding

will be sought. Frank Dobson, the chief health minister, hailed the 'unique" alliance of the health service, the pharma ceutical industry and the academic community of Oxford. "For the first time they have come together in true partnership to pool expertise and resources.

The Department of Health tressed that Novo Nordisk is funding the research element of the new centre and that responsibility for patient care will rest solely with the health service.

"This is just one novel way in which NHS [health service) facilities may be funded," it said. "Such devel opments are only really appropriate where there is significant research activity involving both academics and the private sector."

The centre will employ about 150 clinicians and researchers. As well as diabetes, it will study related diseases such as osteonorosis, obesity and growth disorders.

David Matthews, chairman of the centre, which is likely to handle 15,000 patients a year, said: "Our goal is to improve the understanding and treatment of diseases facilitating the research effort to find cures."

By drawing patient care and scientific research closes ter progress can be made in developing new treatments. The centre also hopes to

influence national and even international health policy in these disease areas by establishing itself as an example of best practice.

"Very often you do research and even though the results are clear cut, it's not translated to the grassroots level; it's a real problem," said Rury Holman. deputy director of Oxford's Diabetes Research Laboratories.

Diabetes treatment, Page 10

NEWS DIGEST

INVESTMENT IN WALES

Italian paper company to open \$30m factory

An Italian paper company will today announce plans to open a £17.8m (£25.4m, \$30m) factory in North Wales, part funded with grant aid, to supply the northern European market. Cartoinvest, a privately owned business, employs 800 people across Europe and has a turnover of 2200m a year, its decision means that the 15 Italian companies which have sites in Wales have invested a total of 2276m in the region, creating more than 3,000 jobs.
Chris Farrow, the Welsh Development Agency managing

director for North Wales, said: "Following so hard on the heels of TRB, the Japanese company which is going to tacke the European market from Denbighshire (also in North Wales], this project underlines again the fact that this region is winning repute as an excellent and competitive base to serve British and continental European mar-TRB, a subsidiary of Tokai Rika Company, is to open a

car components factory. Juliette Jowit, Birmingham

BOOST FOR AIRPORT

Passenger numbers top 6.7m

Passenger numbers at Birmingham airport, the UK's fourth largest, rose 11.3 per cent last year to 6.7m. There were many more travellers from Scotland, Northern Ireland and south-west England flying via Birmingham, in the Midlands, to mainland Europe and North America.

Brian Summers, managing director, said: "With new services to more destinations in prospect this year, we're on target to reach 7m passengers by the end of 1999." Scheduled traffic grew by 12.5 per cent and charter business by 9.4 pericent. New scheduled destinations included, Bishkek in Kyrgyzstan, Brussels, Shannon in the Republic of Ireland, and Caen and Le Havre in northorn France. Juliette Jowit, Birmingham

FIESTA CARS

Ford to extend production cuts

Ford is to extend until March production cuts of Fiesta cars and vans at its Dagenham plant in east London. The company yesterday blamed reduced demand for the vehicles in export markets, in particular southern Europe, which account for 45 per cent of the plant's output. The cuts, which began more than three months ago, mean that the plant's more than 4,000 workers will assemble no vehicles on Thursday night and Friday day shifts. Dagen ham, which makes only Fiesta models in a number of vanations, normally produces around 600 cars per shift.

The Fiesta continues among the UK's best-selling cars. helped by its domestic production base, but has been losing ground to more modern rivals in the fiercely competitive, wider European market. A facelifted version is expected in about a year.

While BMW's Rover offshoot is also cutting production. other UK-based carmakers - including Toyota, Peugeot, Nissan, Honda and the Vauxhall offshoot of General Motors - have all been increasing output from their British plants. John Griffiths, London

HURRICANE FORECASTS

Insurance risk model unveiled

A consortium of UK insurers vesterday unveiled a hurrimillions of pounds through improved risk assessment. The consortium, called Tsunami, was set up in 1997 by eight UK insurance companies, brokers and Lloyds' managing agents to fund research into predicting natural disasters such as cyclones, typhoons and floods,

The forecasting system, which predicts the probability of hurricanes and their intensities, was devised by researchers at University College London. The model is based on factors such as sea-surface temperature, high level winds and rainfall in West Africa, which are known to influence tropical cyclone development.

The model forecasts that 1999 will have an above average level of cyclone activity, but less than in 1998. In 1998, seven tropical cyclones, including Humcane George and Mitch; hit the US mainland, making it the third most active year since records began in 1871.

The model is likely to be useful for insurers in deciding how far they need to reinsure certain risks they have underwritten. Vanessa Houlder, London

Part-time posts 'will dominate job growth'

By Peter Marsh in London

the growth employment in the next decade will come from part-time jobs, according to analysis which underlines how flexible working patvices, have become one of in the 18 years to 1998. The the most important forces UK economy will support influencing the UK economy. 28.79m jobs in 2010, 1.88m Econometrics, the economics consultancy, indicate that by 2010 nearly a third of all jobs will be part-time, up from less than a fifth in 1980.

The growth in part-time working will make general business services among the biggest generators of jobs over the next decade, according to the research. Jobs in will have more part-time this area will expand by an iobs than full-time ones. In average 4 per cent a year 1980, 30 per cent fewer between last year and 2010, women worked part-time Employment Research at compared with the 4.9 per than worked full-time. Large

cent annual growth for this sector between 1980 and

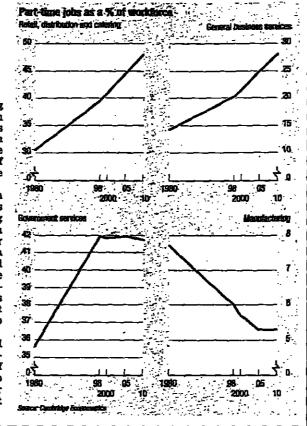
in contrast, manufacturing will lose jobs at an average 1.5 per cent a year until 2010 compared with last year, a all employees will be lower rate of loss than the 3.7 per cent annual decrease Forecasts by Cambridge more than last year, the research indicates. Over the same period, 1.89m new part-time jobs will be created, with a decline in full-time jobs and a small increase in self-employment also changing the UK

employment picture. The biggest changes will affect women, who by 2010

will come from companies in retailing, distribution, hotels and catering - fields in which, by the end of the next decade, nearly a half of

unpublished data, highlights how companies using part-time workers can expand their services, for instance to keep shops open late at night or serve food and drink in cases and wine bars around the clock. Businesses in fields such as "teleshopping" or internet services may also be able to

The research has emerged from Cambridge Econometrics' computerised model of the UK economy, linked to studies by the Institute for



Downturn predicted for financial services

Bankino Editor

Banks, life assurers and Britain's manufacturers are building societies [mutually cutting production more owned home loans and savings institutions] are expecting a sharp downturn the economy as a whole still in activity over the next few months as the UK economic slowdown starts to bite in the financial services industry.

A quarterly survey of financial services conducted by the Confederation of British Industry, the principal UK employers' organisation. and PriceWaterhouse-Coopers, the consultants. found that although business volumes grew faster more sharply than it has than expected in the last done since 1990. No bank quarter, optimism in the sector continued to decline confident than three months sharply. "The economic gloom is now hitting the they were less confident, financial services sector. Financial services companies do not expect to escape September 1993, banks the economic slowdown."

Economy expanding slightly, says research institute yesterday. Factory output independent National has now fallen for four

successive months, the

longest decline since late

But with production of

public and private sectors,

services still rising in the

quickly than at any time since the last recession, but "seems to be growing a little, Robert Chote writes. Factory output fell by a

cent in November, the Office for National Statistics said

analysis for the CBL In the banking sector. business confidence fell reported that it was more ago, while 77 per cent said with 23 per cent unchanged. For the first time since

expected to rise significantly in the next three months. Banks also saw their interest rate spreads squeezed in the last three months, and they expected the pressure to

Angus Hislop, PwC's senior banking partner, said established banks could no longer delay for months before bringing their lending reported that the value of rates down after rate cuts by

offer

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said Sudhir Junankar, asso-their bad debts had the Bank of England, the UK ciate director of economic increased, and this figure is central bank. General insurers showed greater confidence, with business volumes increasing over the last three months and expected to continue in the same direction for the next period. But Peter Mynors, PwC's senior insurance partner, said the year had ended miserably, with heavy losses from recent storms not reflected in the survey

Institute of Economic and Social Research. The Institute of Directors

said recent cuts in interest

rates had produced a

showed order books

modest improvement in

business confidence. Its

increase premium rates because the losses people are suffering are unsustainable," he said. "But in a slowing economy, are rate increases going to be achievable? There has to be a very big question mark over that."

be a very big push to

Life insurance companies a considerable drop in optimism. No-one reported greater optimism, while 66 per cent said they

 The British Retail Consortium called for "an immediate and substantial cut in interest rates", as its survey of retail sales in December showed no growth compared with the same period in 1997, Richard Adams writes. The figures show that retail sales shrank by 0.3 per cent during the last three months of last year, the first time that growth has turned negative in the survey's five-year

Submarine safe on earthquake 'sponge'

Japanese technology lies behind cradie to secure nuclear vessel, James Buxton writes

The next time a Royal goes into dry dock at its base in Rosyth, Scotland, it should be safe against damage from an earthquake as powerful as that which wrecked the Japanese city of Kobe in 1995.

The risk of an earthquake of that magnitude striking Rosyth - the tremor measured seven on the Richter scale - is "incredibly low", says Michael Murray, the chief civil engineer for Babcock Rosyth, the dockyard's battleship dock at Rosyth owner, and may happen only once in 10,000 years.

But the government's Nuclear Installations Inspectorate now requires nuclear he says. submarine docking facilities

"The probability of a big earthquake at Rosyth is not high," admits David Baird of Babtie Group, the engineering consultants. "But when you factor in the possible consequences for public safety if there was one, you realise you have to take action.

The previous method of supporting a submarine with a cradle inside the former could not prevent the boat from rolling in an earthcuake, potentially damaging its hull and nuclear reactor,

acceleration of 0.25 times the has installed what Babtie meaning that the cradle force of gravity, such as that says is the world's first could absorb a horizontal cradle, which the company

> The submarine lies on traditional steel blocks, but these are fixed to a concrete raft resting on rubber bearines designed to remove most of the earthquake's where it was employed at energy. "It's as if you were supporting the submarine on a soft sponge," says Mr has enabled Rosyth to meet Baird. "The sponge can the higher standards set by

stays where it is." A test of the system last year using a decommissioned nuclear submarine

seismically isolated docking acceleration of 0.35 times gravity, greater than the Kobe upheaval. Babtie based its cradle on

technology, that uses rubber for protecting buildings in Japan against earthquakes, which proved successful Robe. Installation of the cradle. costing £2.5m (\$4.20m), the higher standards set by move but the submarine the NII and so continue to dock nuclear submarines under contract to the Ministry of Defence.

Babtie kopes it can export demonstrated that the loads its patented design to other that would be imposed on it countries that have nuclear



12.34

الميلونية المنافرة

the benefits will be recognised and valued", it could also be used for other ship repair work in areas with higher levels of earthquake

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To increase its protection by an earthquake were submarines, as well as "a Zealand or the west coast of to withstand a horizontal against earthquakes, Rosyth reduced by a factor of seven, mature safety culture where the US. UK to share expertise on hostage incidents

By Andrew Parker, Political Correspondent

Robin Cook, UK foreign secretary, yesterday responded to recent Yemeni hostage-taking incidents by announcing plans to hire a counter terrorism expert who will advise other countries on dealing with similar situations.

The UK has already proing and advice to 25 countries on techniques for hostage negotiation and try. measures to counter terror-

consultant to the UK For- Yemeni prime minister, that standing of the best techniques for dealing with of John Brooke, an oil hostage-taking incidents.

Mr Cook said the Foreign Office would also hold global tice in handling terrorist incidents. Yemeni government officials have admitted their country failed to warn vided a programme of train- foreign embassies that terrorist activity had recently charges must be brought been stepped up in the coun-

Mr Cook sald he had ism. The new anti-terrorism received assurances from

elen Office, is charged with no force would be used withensuring a common under- out prior consultation with the UK to secure the release worker kidnapped by tribesmen in Yemen on Saturday.

The foreign secretary, referring to the five UK nationals arrested in Yemen on December 24, said he had told the country's authorities that "if the five men are to be charged, then those soon ... If they are not to be charged, then they must be

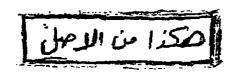
He said there remained

circumstances leading to the deaths of three British tour-December 28. Yemeni secu- at risk. rity forces opened fire on Islamic militants, who had kidnapped 16 tourists. The foreign secretary said

the UK's travel advice for citizens while abroad aiready erred on the side of caution, but added that the government needed to be sure "it is seen by anyone thinking of travelling to dan-He said he wanted to conism. The new anniverrorism received assumed and in a sum of the first which will seek to strikes.

improve the public's awareness of visiting countries ists kidnapped in Yemen on where their lives may be put Tam Dalyell, an MP in the

governing Labour party, asked whether airstrikes would resume when the Moslem holy month of Ramadan came to an end at the weekend. Mr Dalyell is a critic of last mouth's Desert Fox operation against fraq in which Royal Air Force jets took part under US comgerous parts of the world", mand. Mr Cook insisted that the taking of the 16 hostages clude a voluntary agreement in Yemen in December had with the British travel indus- nothing to do with the air-



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FINANCIAL TIMES TUESDAY JANUARY 12 1999 *

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INTERVIEW WILHELM BONSE-GEUKING, VEBA OIL

Growth seeker in the land of giants

The heat is on for the oil subsidiary of the Veba conglomerate. Its chairman tells Ralph Atkins the directions in which it could move

Bonse-Geuking, chairman entity?
of Veba Oil, "a typical Mr F German question to ask if you are too small." But it is the first thought that springs to mind for capital power and the more bal-anyone visiting the oil group's anced portfolios. They also have headquarters in Gelsenkirchen, north Germany.

With Exxon combining forces with Mobil, and British Petroleum merging with Amoco to form a new league of world oil giants, Veba Oil - with a turnover last year of DM24bn (\$14,30bn) - is looking something of a minnow. Worse, perhaps, in shareholders' eyes, Veba Oil is merely a subsidiary of the Veba diversified industrial conglomerate - and therefore surely the obvious place where shareholder value would be destroyed as fast as the oil is pumped?

Veba Oil. A raft of other German esses are subsidiaries of the country's numerous industrial conglomerates. But low oil prices add urgency in Veba Oil's case. When economies of scale, synergy savings and focus are demanded by shareholders, can a company such as Veba Oil afford to remain a small part of a sprawling group? Or should it be kets? Is it sufficiently big to win

"It is," says Wilhelm sold and merged into a larger

Mr Bonse-Geuking admits his bigger oil industry rivals are in a different league. They have the enormous hidden reserves; in

assets as well as money." An international operation has

The idea is that Veba should eventually offer 'one-stop shopping for energy

other advantages, whether flying That quandary is not unique to in specialists to tackle particular problems in oil projects or offering international services on the

petrol station forecourt. "It is already a negative for us that with a Shell card you can fill up anywhere in Europe," says Mr

But Veba Oil, he argues. judges itself against other yardsticks. Is it dominant in its chosen markets where we're active, we have

In Germany, Veba Oil claims the number one position in "downstream" activities - including the processing and marketing of oil and petrochemical products - with a market share of 19 per cent. It also has a 56 per cent stake in Aral, the country's largest chain of petrol stations. It has an intimacy with Germany that is a useful asset at a time when the new coalition government, including the Green party, plans higher taxes on energy. Mr Bonse-Geuking also says Veba Oil can react faster than larger

All of the above justifies - perhaps – remaining a mid-size player in the world market. But what sense does it make to be part of the Veba conglomerate

Mr Bonse-Geuking says there are significant advantages. But surprisingly, considering Veba Oil has been part of the Düsseldorf-based Veba group since 1936. his plans are not yet fully formed. The idea, he suggests, is that Veba should eventually offer "one-stop shopping for energy" bringing together its electrical and gas interests as well as its domestic heating and other oil divisions.

The obvious retail outlet or

name recognition in Germany only a little behind Coca-Cola. With hardly a change in its portfolio. Veba could become a broadranging power group, akin to an integrated UK utility. So far, however, it has not

quite come about. Ulrich Hart-mann, the chairman of the Veba

MANAGEMENT

marketing brand would be Aral. about an overall energy concept tions that might give Veba Oil for the conglomerate. An obvious full control - but without sucwhich through its petrol stations is estimated to have 500m "customer contacts" annually and a problem is that Veba Oil does not have control of the Aral petrol station business. It has a majority of the shares but only a third of the votes. Worse, one of the other shareholders is Mobil, a

> The other owner is Wintershall, a rival oil and gas group. For years, the three partners to its problem at Aral which, in

> group, has talked only generally have dallied with possible solucess. Mr Bonse-Geuking says: "It takes two to tango. At Aral it takes three.

> > a change in the former's strategy. Until that happens, Veba Oil is locked in a typical German struggle to find a consensus approach

development of the whole group. "Sooner or later we will have to come up with a solution," says Mr Bonse Geuking.

Yet with the oil industry con-It is possible that Mobil's solidating, Veba Oil cannot stand merger with Exxon might lead to still for long. He is aware of the pressure and is careful not to rule out Veba Oil itself becoming part of the merger trend. "Almost everyone is talking to everyone. he admits.



PEOPLE ON THE MOVE

Lockhart recruited to AT&T in new post of chief marketing officer

Michael Armstrong, chairman of AT&T, reached outside the company again last week to make another key appointment -this time by hiring the US telecommunications company's first chief marketing officer.

He has found an unusual mix of experience in the person of Eugene Lockhart Aged 49, Lockhart first shot to prominence in the City of London in the 1980s while chief technology officer at the former Midland Bank. The telephone-based bank he created, First Direct, was the first of its kind and demonstrated the two skills that drew the attention of AT&T: a good understanding of technology and

a sharp eye for marketing. Since his Midland days, Lockhart has spent time running Mastercard International, where he made a market championing the idea of co-branding, one area where Mastercard stole a march on its larger competitor, Visa. He also ran the retail operations of BankAmerica, but was one of the senior executives to leave on that bank's merger with NationsBank.

At AT&T, Lockhart will be in charge of a brand that is regularly ranked as one of the most valuable in the country. He will also face a difficult technology challenge: merging the billing and customer care operations of the telephone company with those of television company TCI, a role that is key telephone, cable television and internet services to millions of ordinary Americans. Richard Waters, New York

Gibson focuses on Nissan's strategy

Carmaker Nissan has carried out a reshuffle that will mean newly knighted Sir lan Gibson, the Japanese-owned company's most senior European, focusing on longer-term strategic issues within Nissan's European

Sir lan, one of the UK's most influential manufacturing champions, will now concentrate on his role as Nissan Europe's vice-president of manufacturing

After 18 months of holding three of Nissan's key jobs, he is stepping down from his posts as managing director of Nissan Motor Manufacturing (UK) Ltd, the Sunderland manufacturing operation, and managing director of Nissan Motor Iberica SA, the Barcelona-based Spanish

At Sunderland, deputy managing director John Cushnaghan steps up to the managing director role and at Barcelona deputy managing director Raphael Boronat moves

up to managing director, Sir lan said his main focus now was on what will happen within Nissan Europe in a two- to six-year timescale. Nissan's maturing European activities have been developing a much closer structure, including moves towards common purchasing and

engineering.

Cushnaghan, 53, who joined Nissan at Sunderland in its infancy as production director in 1984, said the next two years would be highly challenging for the Sunderland plant as it seeks to optimise its capacity. In January 2000 it starts producing a third model, the Almera preplacement. Mixed model production is one of the blogest

ever faced, he said. Boronat, who like Cushnaghan has dedicated his entire career to the automotive industry, has focused on design and development, product planning and new project industrial development

tasks the Sunderland plant has

Chris Tighe, Newcastle Upon

Forstmann Little recruits Bowles

Ersione Bowles, the former White House chief of staff, has joined Forstmann Little, the private equity group, as a general

Forstmann said that Bowles who served as chief of staff for two years from November 1996, would have "a significant ownership position in the firm".

Bowles, 53, is to continue his affiliation with Carousel Capital, the merchant banking firm that acquires middle market companies in the south-east of the US. In 1996 he co-founded the firm before moving to the White House.

Forstmann said it has made a \$50m commitment to Carousel and that under the terms of their alliance, Carousel will continue to focus on middle market transactions and Forstmann on larger deals.

"My partners and I look forward to working closely with him on a full-time basis in the years ahead," said Theodore Forstmann, senior partner of the firm. "We are also enthusiastic about our new alliance with Carousel Capital, the firm Erskine recently founded, which will enable us to extend our reach into smaller companies in partnership with a premier middle-market investment firm."

he said. Forstmann was founded in 1978 and since then has invested more than \$13bn in 23 acquisitions, including General Instrument, Ziff-Davis and Dr

From October 1994 to December 1995 Bowles was assistant to the president and deputy chief of staff and before serving in the White House Bowles was administrator of the US small business administration from May 1993 to September

Before that he was chairman and chief executive of Bowles Hollowell Conner, a North Carolina investment banking firm he founded in 1975. William Lewis, New York

Giverholt resigns from Den Norske

Den Norske Bank and Christiania Bank, Norway's two largest lenders, announced last week the departure of two of their senior

John Givernott, 46, resigned as chief financial officer and deputy managing director of Den

Norske Bank, Norway's leading bank, to take up a newly created position at Orkla, a Norwegian consumers good and chemicals company.

On the same day, Ludvik Sandnes, 49, resigned as director of Christiania Bank's sset management and insurance business Kreditkassen.

The resignations came amid a wave of Norwegian financial mergers and speculations of further link-ups. Last week Storebrand launched a NKr1.6bn (\$215m) bid for Finansbanken, a Norwegian bank. In December Den Danske Bank, Denmark's largest, secured shareholder approval for its NKr5.8bn takeover of Fokus Bank, Norway's fourth-largest lender, after a bidding war with Svenska Handelsbanken, Sweden's

From April 1 Giverholt will be Orklas's director for developing shared services and realising

Giverhoft has worked since 1988 as deputy managing director at DnB, serving briefly last year as acting president and chief executive officer following the departure of Finn Hvistendahl. No replacement for Giverholt

has been announced yet. Sandnes resigned over a disagreement with Christiania Bank's management after he had presented a plan for building his savings products area,



holt: resigns from Den Norske

comprising K-Fondene, Norske Liv. active asset management and bank deposits. Christiania Bank said it had not named a replacement and may end reorganise the business

Valeria Skōld, Oslo

Gutierrez at Kellogg helm

Shares in Kellogg, the world's biggest but beleaguered cereal manufacturer, got a small fillip last week when Carlos Gutierres was named as its new chief executive, with effect from April. But the task facing the 45-year-old Cuban-born executive, who was elevated to the position president and chief operating officer only last June, still looks formidable.

Kellogg's problems have been well alred. Changing consumer breakfast habits have caused the US cereal market to shrink from around \$85n to \$7.25n over a four-year period. Within this reduced segment, own-label competitors peddling cheaper cereals have been snaring

cost-conscious customers, while General Mills has applied pressure at the premium end.

As a result, Kellogg's share has dropped from around 35 per cent to just under 32 per cent over the past couple of years. Overseas Kellogg has seen its non-US market share fall from 52 per cent in 1992 to around 45 per cent by 1997, according to analysts at Salomon Smith

Barney. Gutlerrez's task is to reverse those trends. He comes to the job with 23 years of experience at Kellogg, starting as a sales representative in Mexico and then moving on to run operations in both North America and Latin America, and in the Asia-Pacific region. immediately ahead of his

appointment last June, he was working as executive vice-president for global business development. He was credited there with a number of successful product launches although mainly outside the US and an expansion of the cereal giant's convenience food lines,

track record as Kellogg's president, seeing some signs of a more aggressive, and less nsular, approach. Last autumn, for example, two company veterans - Thomas Knowlton, president of Kellogg North America, and Donald Fritz. president of Kelloog Europe resigned in what was viewed as a general management shake-up. Jean-Louis Gourbin, head of the Asian business, took over the

European operations, leaving a hole in the Asia-Pacific region. Last week, Kellogg plugged that by recruiting Jacobus Groot, formerly with Procter & Gamble, the consumer products group. The North American post remains vacant, but there is talk that this, too, will go an outsider. Meanwhile, Kellogg's latest cost-cutting efforts, with

hundreds of jobs shed at its Battle Creek headquarters, have also been attributed to Gutierrez's lead. But he has prefered to stress investment in new products and expansion of the convenience food lines as the key factor going forward. Nikki Talt, Chicago

Ascher joins Timber Hill

Tom Ascher, the former vice-chairman of the Chicago Board Options Exchange, the world's largest options exchange is to join Timber Hill, the Greenwich, Connecticut-based derivatives trading firm.

Asher, who ceded the /ice-chairmanship at CBOE just before Christmas after two one-year terms, will be Timber Hill's llaison to exchanges, regulatory bodies and the securities industry generally.

He will continue to work from CBOE's floor in Chicago, and remain a director of the options exchange. Timber Hill and its Interactive Brokers subsidiary have generally been seen as keen supporters of the derivatives industry's shift towards computer-based technology and automated trading systems. Nikki Tait, Chicago

tell the world." such as Nutri-Grain bars and Rice Krispie Treats. Wall Street is pinning its hopes on Gutierrez's admittedly brief

actually be harmful.

I go to academic conferences and tell people the results of research all the time," says Prof Holman, whose department will move to the new centre when construction is finished, probably in early 2001. "But if I can stand up and say: I do this in my own

designed for that purpose.

man between industry, academia and the NHS, believes scientific knowledge can be advanced and patient care improved by bringing clinical observations closer to the research base.

A doctor, he says, might for given treatment. That valuable insight might never reach

HEALTH MANAGEMENT OF DIABETES

From test-tube to bedside and back

mechanism of a disease.

If I can stand up

and say: 'I do this

in my own clinic',

Stanford University, California,

in the 1980s, believes the "trian-

gular" agreement between aca-

demia, business and the NHS will

yield results. Stanford was a pio-

neer in patenting technology and

The Oxford arrangement,

which Prof Bell says is a first in

the UK, "will bring the [cash-

starved] NHS and private busi-

ness into the circle with academ-

ics acting as honest brokers

we have got a three-cornered

partnership that is genuinely bet-

ter than the sum of its parts. The

health service contributes profes-

. What is unique here is that

linking its research to industry.

it's much more

powerful

Prof Bell, a fast-talking Cana-

David Pilling on a £10m centre for the treatment of diabetes, which wants doctors to respond more quickly to clinical findings

It took 20 years to prove the point. Over that period 5,000 people with adult-onset diabetes were researchers, who could, for example, be able to link the finding to a particular gene.

"There is going to be an enrolled in the largest clinical trial of the disease ever undertaken. The results, conclusive and compelling, were released with great fanfare last September. In Britain, where the trial took place and where 1.8m people suffer from diabetes, the findings hardly caused a ripple.

Rury Holman, deputy director of Oxford University's Diabetes Research Laboratories, which ran the study, admits he is disappointed. "We need to go out and

Results proved that aggressive management of blood glucose levels and blood pressure in diabetics dramatically reduces the incidence of strokes, heart attacks, kidney damage and loss of vision

distressingly common sideeffects of the disease. Many physicians had previously believed it was enough to bring glucose and blood pressure levels within an "acceptable range". To do more than this, some believed, could "We now know that's wrong," says Prof Holman. The problem

now is to get the message across. Persuading doctors to respond more quickly to academic research is part of the rationale behind a £10m centre of excellence being launched to Oxford today. The Oxford Centre for Diabetes, Endocrinology and Metabolism, which will be jointly funded by the National Health Service and Novo Nordisk, a Danish drugs company, aims to narrow the gap between research and clinical practice and to establish best practice by example.

clinic', it's much more powerful." The centre of excellence will gather Oxford's prominent, but widely scattered, resources in diabetes under one roof, instead of having teaching staff in one place, researchers in another and doctors and patients in a third. The idea - borrowed from US biotechnology culture - is that people from different disciplines will meet and, it is hoped, exchange ideas in an atrium café

"It will be an iterative process from bedside to lab, from lab to bedside and back to lab again," says John Bell, Nuffield Professor of Clinical Medicine and a driving force behind the project.

Prof Bell, who will act as link-

years have noticed that patients with a particular physical characteristic did not respond well to a sionals and healthcare. The university comes in with heavyweight academic credibility. And Novo Nordisk comes in with not only cash, but a whole lot of expertise." Of the involvement of big busi-

ness, Prof Bell says: "You can't ignore the tremendous power in terms of resources and skills at increasing push to integrate research aspects of disease with [industry] that enable us to do nationt care," says Prof Bell. things we simply couldn't hope We're going to move from a situto do in publicly funded sciation where we have an empirience ... Getting corporations aligned to academic goals has cal approach to one where you have an understanding of the become a great deal easier."

Novo Nordisk, which has a similar arrangement with the dian who spent several years at Steno diabetes clinic in Copenhagen, believes it can gain valuable insights through being more

closely involved with patients. "Observations in the clinic are one of the better ways to make future innovations in our products," says Mads Ovligen, chief executive. It was because of its relationship with Steno, he says. that the company was the first to develop an "insulin pen" as an alternative to multiple daily injections. Being close to patients made the company realise that patients were desperate for an

alternative. But that, stresses Prof Bell, is the most Novo Nordisk can hope for. The company will not have its name above the Oxford clinic. nor will its funding be on an exclusive basis.

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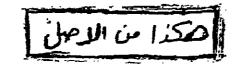
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And if the Danish company wants to develop commercially any of the research done at Oxford, it will have to negotiate separately. "What they have bought is a ticket to the fairground. If they want to ride on a ride, they'll have to pay all over



Patients told of their desire for an alternative to needles Science Photo Library l expert, who will work as a Abdul Knarim fryam, much comuseum aucur use my



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Dumb by name but not by nature

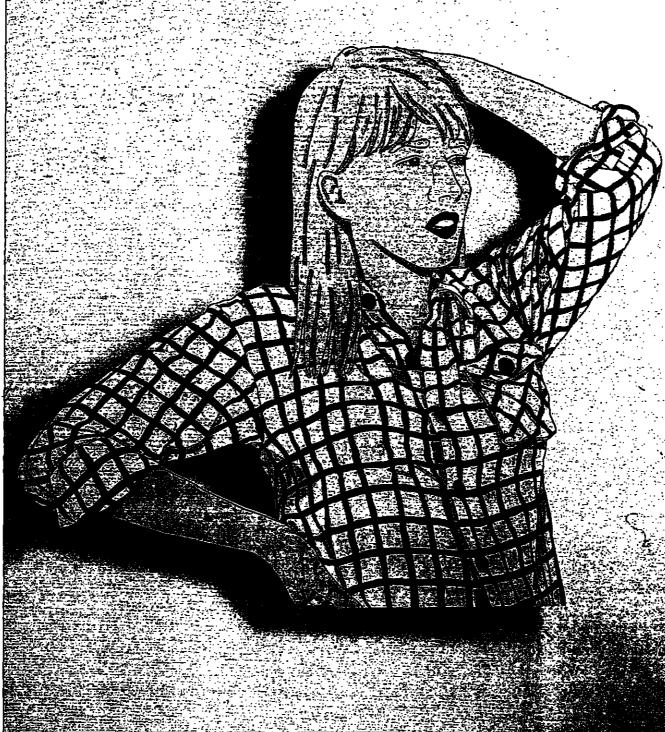
Young artists have plundered art history with considerable panache, says William Packer

Dumb is as Dumb does. If there is an objection to the title of the Jerwood Gallery's second exhibi-tion in its handsomely converted new space in Southwark, it is the fears that the word arouses. A pun stands or falls on the quality of its wit; and while ambiguity may stimulate the imagination, in the present climate of anxiety at apparently declining standards in our general culture, the word "Dumb" only carries its American meaning. So it needs to be understood that, whatever else it is - taciturn, ironical, keeping its own council - the work on show in "Dumbpop" is anything but Indeed, in many ways it is

rather encouraging. All the artists are young - well under 40 and seven of the 12 are graduates of the much-vaunted school of art of the Goldsmiths' College in south London. But that, perhaps, is the point. For while the glib conceptualism of the Young British Artists - also largely a product of Goldsmiths' - has been sweeping the world - other young British artists have been at their easels putting paint to canvas in the good old way. I have always said that, whatever the orthodoxies of any current avant-garde, painting quo painting is never going to go away. And here is proof, in work that, within its given terms and limita-tions, is well-made and thoroughgoing, with each idea or proposition sustained, each image resolved.

If there is to be an objection to this work, it is the kind of work it is that gives one pause. For everything here is cool, ironical or self-consciously detached. Every surface is immaculate. smooth and unmodulated, every line exact and uninflected, every image considered, worked-out, under control. And, what is more, we have seen so much of it before - indeed, some 30 or 40 years ago, in Pop Art, both English and American, the first time round; in colour-field and post-painterly abstraction; and in the system-painting and photorealism that followed.

painted in brightly contradictory dazzle stripes, would have graced any of Bryan Robertson's "New



Unaffected, direct and simple: 'Second Hand Shirt II' by Jun Hasegawa, paying homage to Pistoletto

chapel in the mid 1960s. Paul charming cut-out blondes in doing so. As for intuition, with way, as they see it, in this postcal homage to Robert Indiana; Jun Hasegawa, at a certain remove with his cut-out figures, to Pistoletto.

Well, art history is there to be ists set about it with commend-Graham Little's box sculptures, able panache. I particularly liked to the real, visible world. The Generation" exhibitions at White-seriously satisfying. Hasegawa's there is no longer any point in are quite right to find their own

early 1960s will become all the are Paul Morrison's black-andclearer with the Caulfield retro- white trees and abstract waves, spective due at the Hayward next Kate Bright's rippling waters, month. Sybille Berger's large and Dan Hays's impassive photohard-edge stripes are, well, realist tent. These are enjoyable, large hard-edge stripes. Sarah even admirable things. Only Morris pays elegant typographi- a small and nagging doubt remains.

What we see are these young artists striking attitudes in their commitment to the making of Art About Art. There is nothing plundered, and these young art- wrong in that, but there is little sense of discovery, or a response Sarah Morris's pale-blue chain- suspicion is that these young artlink fence upon a pink field, the ists, being no longer taught the simplest graphic device, yet means to do so, are persuaded

Morrison's debt to both Bridget their check shirts are unaffected, its alarming unpredictability and Riley and Patrick Caulfield of the direct and simple, and so too propensity for the accidental, clearly there is no place for it. As I said earlier, painting was

die. But here we see only paintstands aside from the narrower orthodoxies of our conceptual, academic avant-garde, it nevertheless represents orthodoxies of its own - that art should be self-conscious in its engagement with ideas, which is to say ideas about itself. Here we are, it says, reworking old ideas maybe, but Of course not. that reworking by its very nature can only be ours and of today. the truest, newest thing.

But just as these young artists

modern world, so there are others, no less right, who are in the studio drawing the model, or in the cornfield painting the landnever dead and is not likely to scape. And who is to say that the next, brightest star is not among ing of a certain kind. While it them? No-one is taking that much notice at the moment, but they are out there all right. And would anyone really say that the landscape and still-life that engaged Cézanne, or the presence of the model that sustained Picasso and Matisse, have nothing now to offer the younger artist?

mbpop: Jerwood Gallery, Jerwood Space, 171 Union Street, London SE1, until January 17: supported by

It would have been better still to hear the grander, starker double-

Stars light up the Paris stage

Apart from being beatified in one's lifetime, I can think of few things more gratifying to the spirit than to be named an etoile of the Paris Opéra Ballet. Talent, like virtue, has been splendidly recognised in the eyes of the world, and nothing can take away the accolade nor, I suppose, the sense of delight in aving joined the ranks of the balletically blessed.

BALLET DON QUIXOTE

So huzzahs for Aurélie Dupont, elevated to this blissful state on December 31, and rightly so. Twenty-three-years old, beautiful, vastly gifted, Dupont has been a joy to watch since her debuts five years ago. I have reported with delight on small roles impeccably danced, and on big roles, like her Raymonda, given lustrous power. And to show that she is not merely a classicist's pet, her Chosen One in Pina Bausch's Sacre du printemps last mouth was an anguished study in terror and ritualistic acceptance of On Saturday night she

appeared as Kitri in Nureyev's fire-cracker staging of Don Quixote at the Palais Garnier, with Manuel Legris as her Basilio, and the night-sky was bright with every pyrotechnic trick you might wish for from both of them. And loud with cheers from an adoring public. Dupont is a darling Kitri, and a tough emotional cookie, vivid in gesture as in temperament. She stamps and romps with the best, flirts with a fan, gives as good as she gets in matter of loving rivalry with Basilio, and her timing whether in dance or comedy not to be faulted.

In style as in looks, she is invulnerably, irresistibly charming. Her dancing is polished, serene in effects, musical, and also holds the eve because of the sweetness of its mechanics: I love the way she shapes steps – except when she decides to prolong balances

duty or art. (This was a not particularly winning trick favoured by the otherwise wonderful Tamara Toumanova, who could balance in arabesque for ever, the raised leg waving slightly as if to semanhore to us that she was still up there, while the music hung about waiting for something to happen.)

The partnership with Manuel Legris is excellently matched. His sense of humour, his generosity of manner and the high spirits with which he imbues Rasilio's every action, are the qualities we also see in his tremendous dancing. His speed, clarity of utterance, elegance of means and, for this merry barber, an unfailing and soaring joie de danser, give the role a richness and excitement that are irresistible. We believe in him - as we believe in everything this impeccable artist does. Here, above all, he communicates delight: delight in the role, delight in his partner. delight in the blustering taradiddle of plot and choreography.

The company performance took its merry tone from this happy pairing. The staging is handsome (Georgiadis designs) and crammed with activity which everyone on stage see: determined to explore to the Hispanic full - there never were such flauntings of embroidered capes and gypsy carryings-on. (There are, though, some children who mop and mow through a mimetic scene who would be better employed sweeping chimneys). I thought Jean-Hugues Tanto a noble and commanding Quixote, and the Orchestre Lyrique de Paris under David Coleman made us all believe in Minkus. To Dupont and Legris, and to the artists of the Opéra Ballet, bonne ct

Clement Crisp



istibly charming: the new étoile. Aurélie Dupont as Kitri

MUSIC IN LONDON POULENC CENTENARY RECITAL

Pleasures in lavish profusion

birthday, that he and Pierre Bernac introduced several of his wartime songs to London.

Last Thursday was Francis Yvonne Printemps encore, "Les to realise the distinct, unique Poulenc's centenary, and the chemins de l'amour", so seduc- character of each song. Wigmore Hall did it proud. Poul- tively that during the interval. enc was fond of the Wigmore; it anywhere you turned found

was there in 1945, on his 46th somebody still humming it aloud. colours which he put to finely In the second half Bostridge suggestive effect in the opening applied his strange, penetrating tenor to Poulenc's splendid Paul This time we had Felicity Lott Eluard cycle Tel jour, telle muit to and young Ian Bostridge to sing intense purpose. It's one of the them, with Graham Johnson at few large-scale Poulenc works to the piano. In the first half, break almost free of symmetrical "Flott" was silvery and alto- two-bar repetitions for good reagether charming in both the son, given his daring choices Metamorphosės cycle and the from Eluard's dense poetry, and children's song-set La courte with unexpected dramatic force. paille. She delivered the old Bostridge did everything possible

His low register, previously frail has acquired throaty new "Bonne journée" and the closing "Nous avons fait la nuit ..." But he also sang the Louis Aragon "C", perhaps Poulenc's most heart-stabbing song (about the wartime rout in an ancient town), in his "old" voice - i.e. terribly young and cut-glass ~ and floated it beautifully. Astonishing that Poulenc could compose the sweetly tacky "Che-

form and style, and yet make them feel so utterly different! We also heard that stylish haritone François Le Roux deliver the early, jokey Rapsodie nègre and the riotous 1932 Le Bal masqué with the Nash Ensemble under Nicholas Kok, and the three piano Noveleties executed with verve by Steven Osborne. James Morgan conducted the a

mins de l'amour" and the sober,

heartbroken "C" in just the same

capella BBC Singers in welltuned, forthright performances of the cantata Un Soir de neige and some of the Chansons françaises.

chorus for Figure humaine - first performed, in English, by the BBC Choir 54 years ago this month; but I suppose it needs larger forces. In any case, this birthday party offered pleasures in lavish profusion I must apologise for writing

last Saturday that Poulenc's main opera, Dialogues des Carmélites, wasn't to get a British performance in this centenary year. On the contrary: in May, the English National Opera will mount a new production of it by clever Phyllida Lloyd, with Paul Daniel conducting a strong cast. Not, surely, to be missed.

David Murray

INTERNATIONAL

AMSTERDAM

EXHIBITION Tel: 31-20-673 2121 Japanese Scrolls: 40 works from the collection of the Kumamoto Prefectural Museum of Art in Japan; to Jan 17

BERLIN EXHIBITION Hamburger Bahnhof Sensation: works from the Saatchi collection of Young British Artists including Damien Hirst, Rachel Whiteread and the Chapman brothers. Originated at the Royal Academy in London last year, where it attracted 350,000 visitors and maximum publicity; to Jan 17

BIRMINGHAM EXHIBITION Birmingham Museums and Art Gallery Tel: 44-121-235 2834 Sir Edward Burne-Jones: comprising more than 200 works, Tate Gallery including tapestries and jewellery

as well as paintings. A second generation Pre-Raphaelite, Burne-Jones also had a lifelong working relationship with William Morris, for whose firm he worked as a principal designer; to Jan 17, then transferring to Paris

LONDON

CONCERTS Barbican Hall Tel: 44-171-638 8891 BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messigen. With plano soloist Stephen Osborne; Jan 16 BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Yvonne Loriod: Jan 17 London Symphony Orchestra: conducted by Ryusuke Numajiri in works by Saint-Saens and Tchalkovsky, as well as the UK premiere of Sofia Gubaidulina's The Canticle of the Sun'. Featuring cello soloist Matislav Rostropovich; Jan 13

EXHIBITIONS Royal Academy of Arts Tel: 44-171-300 8000 Charlotte Salomon: born in Berlin in 1917, Charlotte Salomon died in Auschwitz in 1943, after living in hiding in the south of France for three years, during which time she produced a series of 769 gouaches called Life? Or Theatre?, a selection of which are exhibited here; to Jan 17

Tel: 44-171-887 8000

John Singer Sargent: large-scale retrospective containing 150 paintings, including major public and private loans. includes late landscapes and American and British society portraits from the 1880s to the early 1900s; to Jan 17

LOS ANGELES

OPERA L. A. Opera, Dorothy Chandler Tel: 1-213-972 8001 www.laopera.org Madama Butterfly: by Puccini. Conducted by Marco Guidarini and directed by Christopher Harlan, With a cast including Yoko Watanabe, Richard Leech and John Atkins; Jan 13, 16

MILAN EXHIBITION Palazzo Reale Tel: 39-02-8691 5738 L'Anima e it Volto (The Soul and the Face): major exhibition of portraiture, comprising 370 works ranging over 400 years. Artists represented include Titian. Caravaggio, Van Dyck, Picasso and Francis Bacon; to Mar 14

OPERA La Scala Tel: 39-02-88791 The Fiery Angel: by Prokofiev. Bruno Bartoletti conducts a staging by Glancarlo Cobelli, with Karen Huffstodt and Elmira Magomedova singing alternate

MUNICH **CONCERTS**

Philharmonie Gastelg Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Ivan Fischer in works by Stravinsky and Bartók, with violin soloist Ivan Fischer, Jan 12, 14, 15 Philharmonia Orchestra London: conducted by Christoph Eschenbach in works by Mozart, Prokofiev and Brahms, With piano soloist Tzimon Barto;

OPERA Baverische Staatsoper Tel: 49-89-2185 1920 Lohengrin: by Wagner. Peter Schnelder conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Jan 15

NEW YORK

DANCE New York City Ballet, New York State Theater Tel: 1-212-870 5570 OPERA

Celebrating Five Decades of Repertory: with over 150 ballets. New York City Ballet has the largest repertory of any dance company in the world. Continuing the celebrations of its 50th anniversary, it presents a selection of works from that repertory, including revivals of Bugaku, Irish Fantasy and Balanchine's Liebeslieder Watzer, Jan 12, 13, 14, 15, 16, 17

EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org Dosso Dossi, Court Painter In

Renaissance Ferrara: retrospective of works by the last great Ferrarese painter, who was much influenced by Giorgione and Titian. Includes rarely lent masterpieces from the Borghese Gallery in Rome and other European collections; from Jan 14 to Mar 28 Heroic Armour of the Italian Renaissance: Filippo Negroli and His Contemporaries. Comprehensive survey of work by the most celebrated Italian armourer of the 16th century. includes more than 60 richly decorated suits of armour, worn by Renaissance kings and captains. Includes public and private loans from Europe and North America; to Jan 17 Sacred Visions: Early
 Paintings from Central Tibet. 60 works from the 11th to the mid-15th century, including thankas (paintings on cloth) and sculptures; to Jan 17

Metropolitan Opera, Lincoln

Center Tel: 1-212-362 6000 www.metopera.org Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowaiski and Bo Skovhus; Jan 14

PARIS CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Lorin Maazel in works by Weber, Debussy, Schubert and Ravel; Jan 13, 14

PRAGUE DANCE

National Theatre of Prague Tel: 420-2-2108 0131 www.anet.cz/nd The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Jan 15, 16

ROME **EXHIBITIONS**

Palazzo delle Esposizioni Tel: 39-06-474 5903 Valori Plastici: taking its title from that of a short-lived magazine published by Roman art dealer Mario Broglio, this show includes sculpture and paintings, mainly by Italian artists, but also including little-known works by Picasso, Klee and Grosz; to Jan 18

Palazzo Ruspoli Tel: 39-6-6830 7344 www.palazzoruspoli.it The Denis Mahon Collection: last stop for the touring exhibition of more than 80 Italian baroque paintings collected by Denis Mahon; to Jan 15

SAN FRANCISCO CONCERTS Davies Symphony Hall

Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Bernstein and Prokofiev; Jan 13, 14. 15

TOKYO EXHIBITION Metropolitan Museum of Photography Tel: 81-3-3280 0031 Love's Body: Rethinking Naked and Nude in Photography.

Includes works by Alfred Stieglitz, Robert Mapplethorpe and Catherine Opie: to Jan 17 TV AND RADIO

● WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

around or just to an

business in another

consisted of central

mainframes - which

the number will be the deciding factor, not the

The information content of

technology that lies behind

Mobiles are changing the

coms equivalent of the

personal computer. Before

PCs, computer installations

contained all the system's

shifted a good part of the

intelligence from the centre

Similarly, the old phone

system concentrated all the

intelligence at the centre, in

equipment – switches and transmitters. But a good part

intelligence now resides in

of mobile phone systems

over the airwaves, this

process will be taken

be universal, cordless

When the next generation

broadband communications

further. Mobile phones will

digital assistants. They will

keep your appointments,

manage your to-do lists.

handle your e-mail and

These two changes

together shift the value

added from the calling

system to the called. Once

switching centres. Mobile

the phone company's

phones also require

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the handsets.

intelligent central

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to the terminals.



Upwardly mobile

The latest telecoms mergers show that mobile phones have come of age. They will soon dictate the economics of the industry

Alexander Graham Bell first

message: "Mr Watson, come

harked his peremptory

Like a motorist caught at a dangerous crossroads, the telecommunications industry is trapped between four careering juggernauts.

Three of these are well known: the shift from national telecoms regulation to international competition. the sudden primacy of data traffic as opposed to voice, and the switch from traditional proprietary switching technology to internet standards.

These irresistible changes have helped produce the wave of deals that has swamped the industry in the last 18 months. Examples include WorldCom's acquisition of MCI, British Telecommunications' joint venture with American Telephone & Telegraph, and the flood of high-priced make internet-standard switching equipment, such as Lucent's interest in Ascend.

It was only last week however, that the implications of the fourth change, the shift of telecommunications from land to air, started to become clear. The tussle over AirTouch, the US's piggest cellular phone company, helps us peer through the fog.

It is not that mobile phones are invisible. They are everywhere: on the streets, on television commercials, as omnipresent in emerging economies in eastern Europe and east Asia as they are in developed markets.

But until now, this very visibility has promoted a narrow image of mobile telecoms. It has seemed to be a sort of boutique version of the traditional land-line high-priced, glamorous, but

essentially frivolous. The real work of the world

would be carried on over land, just as it has been in the 123 years since

> here, I want to see you," to his assistant. Vodafone's attempt to create a global mobile phone business by bidding for AirTouch illustrates that mobile communications

have come of age. Land-lines will not disappear, of course. But mobile phones will play an increasingly important role in the mix of telecoms technologies. They will soon start to dictate the economics of the industry. and help trigger a shift in power from phone company

Mobile phones will change the telecoms business in several important wavs. First, they make the concept of open competition in telecoms much more than a theoretical possibility. It has never been very likely that rival telecoms operators would be willing – or

z Watsen.

eme here.

permitted - to dig up the streets to bring competing local access lines to individual dwellings. So no matter how keenly national regulators embraced the idea of telecoms competition, a monopoly or quasi-monopoly would always remain at the Mobile phones destroy

that monopoly, making a truly competitive market much more attainable. As technology improves and mobile pricing falls, the distinction between using, say, a cordless land-line and a mobile phone will become increasingly blurred.

The most vital distinction. indeed, is likely to lie in the information content of the number attached to each.

To a would-be caller hesitating about which number to dial, the domestic land-line will imply "family" and the mobile "individual". The decision about which to dial will be made not because of the technology or pricing of the two systems. but on whether the caller wishes to speak to whoever

> evervone has a voicemail-equipped mobile phone and an individual number, and is theoretically cessible every where and all the time, it is the answering not the calling that counts. "Reach out and touch someone", AT&T's slogan in the past, will give way to Blondie's "Don't eave me hanging on the

A world will evolve in which telephone users will have to be bribed - perhaps through loyalty points schemes - to answer their phones. Without some such arrangement, when the nex Alexander Graham Bell sends out an wreent message, he will end up with Mr Watson's voicemail.

peter martin@ft.com

success with Helahar The Helaha

LETTERS TO THE EDITOR

Euro advent allows City of London | Smashing to deploy expertise in derivatives

important way. They are the Sir, It is wrong to conclude dated swaps. Ten national from initial market prefer- interest rate indices have euro swaps that the City of London is losing out ("City deserved their name. The PC January 8). It reflects the developments and political pressure in the euro-zone for banks to use Euribor.

> The advent of the euro provides an environment in which the City's expertise in derivatives can be deployed to good effect. The benefit of a deep derivatives market is now available to currencies in which it has hitherto been

ance movement".

around 1790.

Jack Daniel was later cred-

ited with owning the first

"registered distillery" in the US in 1866. This distillery in

Lynchburg, Tennessee remains today the only site

of distillation for Jack Dan-

iel's Tennessee Whiskey.

marketing manager. UK

Brown-Forman Beverages

Andrew Mallinson

<u>Ireland</u>

Worldwide,

WIN SJE

Cavendish House

51/55 Mortimer Street,

ence for Euribor against been rolled into Euribor. euro Libor when trading This provides a backdrop against which substantial use of Euribor is to be expeclosing out to Brussels in bat- ted but London can be the tle over euro benchmark", financial centre for Euriborbased contracts just as it is City reacting to market now for Libor-based contracts in seven major trading currencies.

International banks value Libor, and the British Bankers' Association sponsors a range of Libors which are used globally. As a member of the European Banking Federation, the BBA also cosponsors Euribor because of market support for such an

derivative markets' choice of benchmark will reflect where major euro money business is based because that index will provide the best basis for hedging.

It is not yet clear where the balance of money business will be done. However, whatever the choice of benchmark, the lion's share of related derivative business will continue to be transacted in London.

director general, British Bankers' Association, Pinners Hall, 105-108 Old Broad Street.

Approach undermines Distillation strongest currencies in Tennessee

From Mr James Gore

From Mr Andrew Mallinson, Sir. With reference to your article in the Financial Sir, Your extraordinary attack on the Japanese Times "Welsh have hopes of authorities in your leader whisky galore" (January 2) "Japan's folly". Japuary 7), please note the following. for allowing the yen to Jack Daniel was never appreciate, is nothing if not forced out of Britain by the consistent with your Methodist Church temperapproach to strong curren-

Jack Daniel was born in My view, once again, is Moore County, Tennessee in 1846. His grandfather, Joseph Daniel, left England that you are displaying policy deficiencies. and emigrated to America

There is a decent relationship in the UK between a strengthening currency, falling levels of unemployment and growing levels of con-

umer confidence. Japan has suffered a weak currency for some time now and I think the country's policy of raising interest rates, improving the underlying value of the currency, will, eventually, lead to falling levels of unemployment, rising consumer confidence and a rosier prospect for its economy

Why do you persistently undermine the prospects for currencies except the euro?

J. Gore Browne. Rutland Centre, Leicester LE1 1TQ, UK

Serious case of internet mania

From Mr Christian Kolonko. Sir. "Internet shoppers spend \$1.2bn" (January 5). contains a figure which is hard to interpret. I have some difficulty understanding why this earns promi-

In my view the mere Kettenhofweg 92, presentation of the facts 60325 Frankfurt, in a smaller note would do Germany

Christian Kolonko,

ute to a mania which already has got out of

TK.V Vermogensverwal-

stereotypes

MACIAL

milliope gears

Rentonic Turks

Kazakh sham

-

From Ms Liz Cook Sir, No. women don't

nced to be macho to succced" in management (January 6). Depicting rigid alternatives of "male" or 'female" management styles is the language of yesterday. It is possible to acknowl. edge the difference between men and women and still give each of us the freedom to be who we are and what we can become.

We need male leaders who can think like females, and female leaders who can think like males.

Organisations will need both sets of qualities to survive. The Industrial Society believes male and female leaders can be different and equal, without having to select management style from two arid stereotypes.

Liz Cook. equal opportunities Justinson industrial Society. Robert Hyde House. 48 Bryanston Square, London Will 7LN

Putting health in the balance

From Mr Paul J.L. Rex. Sir, it would be interesting to see a comparison between annual private health insurance premiums paid in the UK and the sums required to bring the National Health Service up to a more acceptable standard of service (Letters, January 11).

Could it be that even the most cynical taxpayer might accept that an increase in the latter category of expenditure might lead to a reduction in the need for the former's

Paul J.L. Rex. Weavers. South Warnborough Hants RG29 1RH

Number One Southwark Bridge, London SE1 9HL

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PERSONAL VIEW CARL BILDT

Saving Kosovo from itself

Nato has a bigger stake than any other organisation in preventing war in Kosovo. It is there that it must prove that it can preserve peace in Europe

f tensions in Kosovo continue to escalate, the province could be plunged into a full-blown war before winter gives way to spring. And Nato leaders, meeting in Washington in April for the organisation's 50th anniversary, could well be facing their first failure to deter war in a generation.

The last international attempt to mediate in the conflict between Albanian separatists and Serbian security forces was in October. vhen Richard Holbrooke, the US special envoy, put pressure on Slobodan Milosevic, the Yngoslav president. to agree to the deployment of civilian observers to monitor a reduction of Serbian troops in the region.

But this was never soins to be more than a stop-gap measure, designed to buy time for political talks to get under way. It was hoped that an interim arrangement on autonomy for Kosovo would be ready by early

But the talks hardly got off the ground. Different US drafts have swung like a pendulum between the two sides, with neither of them showing any real interest in reaching a settlement.

In the meantime, the security situation continues to deteriorate. The Kosovo Lib eration Army (KLA) has reestablished control over large parts of the province, after having been driven back by a Serb offensive last

Armed incidents are proliferating Civilians are being armed. There is a real threat of civil strife in areas where Serbs and Albanians still live close to each other. The conflict might soon reach the cities. Kosovo is now at a danger-

ous impasse. Stalemate on the political front has made it more difficult to control outbreaks of violence, while the escalation of conflict is blocking progress on political negotiations.

Without outside pressure. there is virtually no prospect of the opponents coming to They are both bent on conflict. Each side believes it



international community is

There are limits to what outside forces can do in order to bring peace to Kosovo. But the international community must try to prevent the escalation of a conflict that threatens to destabilise the Balkans and visit even more human suffering

on its people. The

mines the possibility of political progress.

KLA bases. The reluctance of Nato to

presence of 1,500 unarmed verifiers will no

In an earlier stage of the

conflict, the Albanian government asked Nato to station forces along its horder with Kosovo. Its immediate concern was to deter Serbian cross-border raids against

deploy forces in northern Albania has impaired efforts to work towards a settlement. Clashes in the border

The reluctance of Nato to deploy forces in northern Albania has impaired efforts to work towards a

settlement

doubt be useful, as will Nato air power in the region and the deterrent effect of a European "extraction" force in Macedonia, which is on standby in case verifiers get into difficulties.

But this is hardly enough, As long as military pressure is not exerted on all sides to the conflict, it will scarcely be possible to move the political process forward.

Nato has made it clear that it is ready to use its air power against Serbia. But it has little leverage over Rosovo's ethnic Albanian sepa-

region between Yugoslay forces and the KLA have become frequent and can be expected to intensify. But as a result of the cross-border incursions, it has also become more difficult to demand a reduction of Serbia's military presence in the province. Meanwhile, it has become virtually impossible to exert serious pressure on the KLA, which has been building its forces in north-

lf, however, Nato were to seal the border between Albania and Yugoslavia, and can prevail upon its advergratists. This seriously under if Nato and the United

ern Albania.

Nations reinforced their presence in Macedonia, the international community would have substantial more leverage over the two sides in the conflict. The longer Nato prevaricates, the more likely Kosovo will head for open war.

There is no doubt that a deployment of Nato ground forces in northern Albania would scale up international involvement in the region. But so far, governments have been reluctant to consider this option, hoping that what has been done so far sbould suffice.

This is manifestly not the ase. And it will be impossible to avoid further commitment. An international peacekeeping force would be needed if the two sides agreed to an interim political pact. On the other hand, should the war escalate, sooner or later an even larger foreign intervention force would be required.

Nato's stake is bigger than any other international organisation in the success or failure of efforts to bring peace to Kosovo.

in the early stages of the conflict in Bosnia, it was easy to blame the European Union, and then the inadequacy of the UN's response. But in Kosovo, it is Nato that has taken on the issue of war and peace. It is there that Nato must prove whether it can preserve peace in Europe.

While the task of Nato is to prevent war, other players should also be prepared to work for peace. Europeans, Americans and Russians must begin to consider the long-term problems that afflict the Balkans.

Towards the end of the last century, instability in the Balkans was a constant threat to Europe. The situation may now be different, but nevertheless, we must not forget the lessons of history. If we cannot deter war in the Balkans, if we fail to give the region a more stable political structure, then we will not be able to say we have peace in Europe.

The author is a former Swedish prime minister and international peace envoy to Bos-

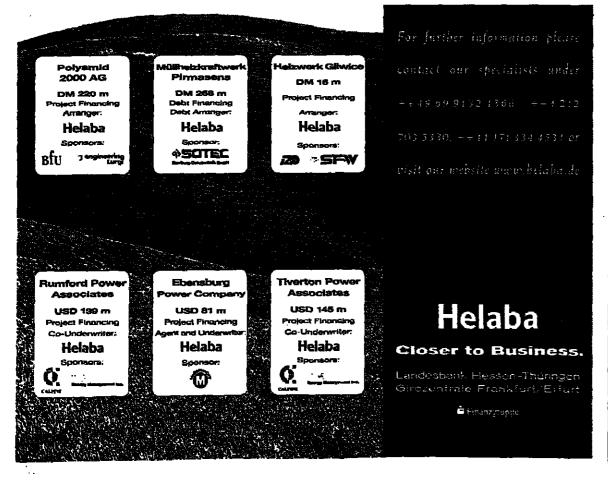
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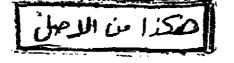
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COMMENT & ANALYSIS

Sales by country

Tobacco: a global duopoly emerges

ven in today's world of

giant mergers, yesterday's £5.3bn takeover of

Rothmans International by British American Tobacco came out of the blue: a nice

shock or a nasty one, depending on the viewpoint. The stock mar-ket was delighted, pushing BAT's

shares up 16 per cent. For BAT's rivals, it was quite a different

The reaction of investors was

natural enough. In global terms,

the cigarette business is now a

duopoly: Philip Morris has a

cent, and BAT is on its heels

with 16 per cent. China's vast

state tobacco producer has some

30 per cent, but sells purely

domestically. No other producer

in the world is half the size of the

Within the tobacco industry,

the news came as a thunderbolt, particularly for R J Reynolds of

the US. A struggling number

three behind BAT worldwide,

RJR was considering selling its

There were two widely mooted

buyers: BAT and Rothmans. No

longer. One BAT director remarked yesterday, with undis-

guised satisfaction, that he would

not have cared to be around

The other hig surprise was that

the Rupert family, which founded

and controls Rothmans, has sold

out. It will have a sizeable chunk

35 per cent to begin with ~ of

the merged company. But it will

be a passive holding. As Johann

Rupert, head of Rothmans, told

the FT last year: "Td much

rather go and play golf than work

So why sell? On the one hand,

(see below). On the other, the

tobacco industry, like many oth-

Mr Rupert said yesterday:

You're either a restructurer or a

restructuree. We certainly don't

think Rothmans isn't viable. But

five or six years down the line.

the risk was that the industry

would have consolidated and we

So is this yet another of those

defensive alliances, in which

players in a shrinking industry

wouldn't have been part of it."

for somebody else."

ers, is consolidating.

RJR's headquarters when news

of the deal came through.

new group.

non-US business.

world market share of 17 per

HILIMIUR London Smashing

FINANCIAL TIMES

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Tuesday January 12 1999

Shifting gears in Europe

European car makers are a wel-come sign that they are finally responding to inexorable pressures to restructure. These are clearly reflected in a steady decline in their profitability, in spite of last year's record sales volumes. But merely reshuffling bwnership in the industry will not restore it to sound commercial health. Tougher measures are needed, by governments as well as by compa

European car makers have done much in the past decade to adopt Japanese production techniques. But cost savings have been offset by spiralling marketing expenses and capital investment in automation. Meanwhile, the industry's structure is fast becoming global. These trends make yet bigger scale economies critical to survival.

Many European carmakers hope consolidation will enable them to cut costs by increasing their bargaining power, notably with component suppliers, and spreading development expendies. But while the potential for uch benefits exists on paper, supturing it may prove tricky.

have often presented unexpectedly knotty problems of corporate integration. Alliances or joint ventures may seem a lowerrisk alternative. But many have by the European Commission so far yielded disappointing and other member governments. results, or foundered on disagreements between partners.

squarely their biggest weakness,

Teutonic Turks

many's unfair nationality law, society.

petition that could pander to inal nationality.

where you were born or live. This and the US.

making it easier for many of the

extremists. By going out on the

your parents were, rather on

law, based on the right of blood

rather of soil, has created much

unfairness: after the end of the

cold war, thousands of ethnic

Germans, scattered through Rus-

sia and eastern Europe since the

late Middle Ages and barely able

the citizenship denied to many

Turks and other ethnic minori-

acquire Germany citizenship.

later this week to unveil a long has undoubtedly hampered immi-

risk of stoking up racial tensions. sion will create "divided loyal-

Germany is almost the only ties" among newly enfranchised

European country (except for Germans. However, it has never

Switzerland) still to base its raised such concern about other

nationality law largely on who dual nationals, admittedly in

to string two words of German business tax, nuclear energy and together, have been able to gain labour market plans. It might

ties born, living, and paying poorly in a World Cup won by taxes in Germany, but not France's "rainbow" team.

Recent consolidation talks among scale plant closures and their readiness to reward inefficiency by meeting car makers' demands for subsidies and trade curbs. There seems no reason why increased industry concentration should change that. Indeed, as the industry cycle starts to turn down, pleas for special treatment are likely to intensity. If Europe is really to have a healthier car industry, governments must not only resist such demands, but increase the pressure on companies to adjust.

They should do so by attacking the restrictions that distort competition in Europe's car market. As a minimum, the European Union needs to respect its pledge to eliminate this year its quotas on Japanese car sales. Brussels should also allow the block exemption of car distribution from EU competition rules to expire in four years' time. industry claims that the arrangement benefits consumers fly in the face of evidence that it has been used to partition the single market. maintain wide national price differentials and perpetuate inefficient retailing methods.

Finally, action is needed to Car company mergers in stop car manufacturers using Europe - above all across borders "grey" import laws to block "grey" import laws to block import competition from outside the EU. The UK's recent efforts in this direction are commendable. They should be backed up

Such steps are bound to face strong opposition. But policy-Furthermore, even if those pit- makers need to keep two points falls are avoided, consolidation in mind: that tolerance of cosy will not solve car makers' prob- practices in the industry has conlems unless it also addresses tributed to many of its problems; and that Europe's aggressiveness chronic excess capacity. Its per- in tackling them will be a litmus sistence is due mainly to govern- test of its approach to broader

huddle together for warmth? Not entirely, according to Martin Broughton, BAT's chairman. "I see this merger." he said at sive characteristics." Chancellor Gerhard Schröder's allowed to vote or hold public Red-Green coalition is expected office there. This discrimination

In BAT's view, world volume of This shut BAT out of both overdue plan to reform Ger- grants' integration into German The Kohl government made a country's 7m foreigners to gesture in 1991, by allowing foreigners resident in Germany for

But already the main Christian 15 years, as well as children born democrat opposition parties are in Germany of foreign parents, to mobilising against the move opt for German citizenship. But ohann Rupert and his father Anton, who control through an extra-parliamentary only if they renounced their orig-Rothmans through Richemont in Switzerland and Rem-The Schröder government brandt in South Africa, have streets to collect signatures for a plans to cut the residential quali-petition against government tying period to eight years, and always prided themselves on taking the long-term view when it comes to generating profits from plans they cannot defeat in par- to permit dual nationality. The liament, the opposition runs the opposition claims this last provitheir brand-name busines

> short-term view I could quadruple earnings per share like that," Johann said last year at his headquarters in Stellenbosch. near Cape Town. "You cut a little bit of research and development, a little bit of advertising. That's why I'm always a little sceptical about turnaround artists who don't stick with the industry for five to 10 years." Now that Mr Rupert has decided to abandon control of the profitable but potentially Rupert made the most of the

Getting a yen

A fight is underway in Japan -

for change

Mr Rupert has other fish to fry regions for cigarette sales. To that extent, BAT is buying growth. In surrendering his company, Mr Rupert said jovially at yesterday's press conference,

exposed - as BAT is - to US

litigation. It is also immensely

strong in Africa, which BAT sees

as one of the fastest-growing

"We've perhaps given up some growth in the next two or three years in excess of BAT's." Nonsense, said Mr Broughton.

a shade less jovially. "But you will notice," rejoined Mr Rupert, "that they describe the deal as earnings-enhancing, and we describe it as earnings-neutral." Even in the developed world,

though, the deal has attractions for BAT. Way back in 1902, the company was formed jointly by American Tobacco and Imperial vesterday's press conference, "as Tobacco of the UK, as a pooling baving both defensive and offen- of the two companies' assets outside their home countries.

tobacco sales is going to be flat in countries. It has since re-entered the foreseeable future, with the US market, not least by buygrowth in the developing world ing American Tobacco, the Philip Morris, still the dominant offset by decline in richer shrunken remnant of its erst- force, may not be unduly pernations. Rothmans does no busi- while parent, in 1994. Through turbed. Its strategy has always be asking what the outlook is single-minded.

cent of the UK market as well. Elsewhere in the world, the new group's market share will be a lot bigger than that. In South Africa, Rothmans already had

Squaring up to Marlboro man

BAT's deal with Rothmans makes it the only serious rival to Philip Morris, says Tony Jackson

North America

RJ Reynold

Philip Morris

RJ Reynolds

Eastern Europe

around 80 per cent of the market. BAT's share was grandly dismissed yesterday by Mr Rupert as de minimis. But the new BAT will have perbaps 95 per cent, which is perhaps a little steep even for a country inured to oligopolies from the old days of

apartheid. The share of other markets over 80 per cent of Canada and 60 per cent of Australia, even by BAT's own estimate - would be industry. But the tobacco indus- some of them."

try has a history of monopoly, run either by the state or - as in large parts of South America and Asia - by BAT itself. Doubtless, there will be horse-trading with the authorities. Doubtless too, the deal will go through. Where will that leave the rest

of the world tobacco industry?

depending as it does on the remorseless advance of one of the world's most powerful brands, Marlboro.

BAT, by contrast, still takes the piecemeal approach characteristic of its history. It has one or two international brands, such as State Express or Lucky Strike. For the most part, though, it works by dominating local markets with local products.

The Rothmans deal, says Jonathan Fell, tobacco analyst at Merrill Lynch, gives BAT a few more brands to play with. "But they also know they have too many brands," he says. "They're unconscionable in any other already phasing out support for

> For the rest of the industry, though, the emergence of a global duopoly is unnerving. As Mr Fell observes, the larger European tobacco companies - Imperial of the UK, Seita of France, Reemstma of Germany - all have plans to increase their earnings through cost-savings over the next five years or so.

thereafter. There will be scon for tie-ups on a regional basis But they will remain tiddlers by comparison with the two giants.

There is a moral here. Like many other big tobacco companies, BAT was in its time a conglomerate. That structure has gradually been unpicked, culminating in the demerger of BAT's insurance interests last veer.

Rothmans, too, has been part of a wildly diverse empire, ranging from luxury goods in Europe to all kinds of motley investments in South Africa. Now its original tobacco business has likewise broken free.

Thus a dominant theme of investor capitalism finds expression. Tobacco may be a nasty and risky business, exposed to litigation and the opprobrium due to peddlers of a dangerous and addictive drug.

But weighing those risks - and hedging them - is a job for investors. Management's role is to clarify the risk and get on with it. In tobacco these days, as in But like Mr Rupert, they must most things, it pays to be

Taking the long view

troublesome tobacco business to Asia-induced downturn in the goods industry gingerly poised BAT, Richemont is left with Vendôme, its luxury goods group, and Rembrandt, a sort of invest-"If I wanted to take the ment trust whose holdings range from tobacco and mining to

financial services and chickens. Rupert has held on to some of the world's best-known brands, including Cartier jewellery, Piaget watches, Mont Blanc pens, Dunhill and Chloé, the Paris fashion house which is being revitalised by Stella

designer. Last winter, the astute Mr \$35bn global luxury goods industry when he bought back Vendome by offering £1.04bn for the 30 per cent of the shares Richemont did not already own.

Having seen the share price By keeping Vendome, Mr fall by 40 per cent in the preceding year, and fearful of a further decline in market conditions. Vendôme's shareholders accepted. The company did not do well last year, largely because of Dunbill's difficulties in Asia, with operating profits slipping McCartney, its hip young by 6.3 per cent to SFr258.6m (£112.90m) in the six months to September 30. However, with the luxury

for recovery, analysts are convinced that the deal will eventually turn out to be a bargain. "His tiuring was brilliant," said Cedric Magnelia, an analyst at Credit Suisse First Boston in London.

One encouraging sign for the luxury goods market is the ven's firmness against the dollar. Another is that, despite recessionary fears, demand has remained strong in North America and Europe. Gucci, the Italian fashion group, and Tiffany, the US jeweller, reported healthy pre-Christmas sales last week. The rosier outlook for the sec-

ity back to life. LVMH, the French luxury goods group; revealed last week that it had secretly amassed a stake of more than 5 per cent in Gucci, sending shares in the Italian group soaring. Traders suspect that LVMH has since bought more shares, possibly as a precursor to a bid.

tor has brought corporate activi

In South Africa, Rembrandt is flush with cash and ripe for restructuring. "Rembrandt is probably going to have R3bn (£300m) in cash and lots of shares they could sell if they wanted to," says one analyst in Johannesburg. "They could make some big moves in South Africa."

A Kazakh sham

Nursultan Nazarbayev was rival, former prime minister Akeyoyed by neighbours such as Heidar Aliyev of Azerbaijan and Edward Shevardnadze of Georgia. Such votes stroke the ego of the victor, but remind everybody else central Asia remain highly personalised regimes.

Once again the rituals of democracy have masked an autocratic substance, a point underisation for Security and the Russian crisis and low prices
Co-operation in Europe to make a for its energy and mineral lined by the refusal of the Organserious effort to monitor the elec- exports, and has ensured busi-

lronically, Mr Nazarbayev would probably have romped . home with a comfortable major- cratic regimes too often become ity in a free election. He and his corrupt and repressive. This is family command much patronage the danger now facing Kazakhand control both regional elites and key economic institutions. for foreign investment demands Many Kazakh citizens still see thim as a guaranter of stability in a vast country richly endowed with oil, gas and minerals, but other areas is needed to attract landlocked and hemmed in by powerful neighbours, including resources and to ensure that rev-

Russia and China. But Mr Nazarbayev threw

re-elected president of Kazakh- zhan Kazhegeldin, two months stan this weekend with the kind before the election. This act overwhelming majority transformed an already unfair election into a rigged plebiscite. To be elected in such a way undermines the already doubtful legitimacy of the earlier constitutional amendment, which made it that the former Soviet states of possible for Mr Nazarbayev to seek a third, extended, presidential term.

smaller numbers, from Europe

Opposition parties may well

want to frustrate a reform that

would, encourage Germany's

immigrant community to vote for

Mr Schröder's party. But there

are worthier issues to take un -

for instance, the government's

also recall that last summer, Ger-

many's very Teutonic team did

Apologists say the Kazakh leader's re-election with a large majority will help the country weather a recession caused by ness as usual for foreign inves-

They have a point But autostan, just as global competition greater transparency and strengthened legal protection.

Steady progress in these and funds to develop Kazakh enues are used to modernise and raise living standards - rather away the chance of gaining real than line the pockets of regime democratic legitimacy when he favourites. The election may be disqualified his only serious over. But the real test starts now. | something that was Y100 encourage you to spend?" he suggests, maybe more in hope

becomes Y1, wouldn't it

and nothing less than the dignity of the yen is at stake. While prime minister Keizo Obuchi is busy promoting greater use of the Japanese currency on his tour of Europe, a small but influential group back home wants to see a reduction in the currency's three-digit whip-cracking, boot-slapping denomination. "Internationalisation of the yen

and a change in the denomination go hand-in-hand," insists Hidevuki Alzawa. vice-chairman of the ruling Liberal Democratic Party's committee on financial problems Lacan is the only industrialised country which has a core denomination of three digits." The exchange rate is currently about Y109 to the dollar and

Y130 to the euro. The birth of the euro means that Italy's lira no longer suffers the ignominy of having large denominations. "Having a three-digit denomination makes the yen lightweight. Nobody will even pick up a one yen coin on the street," Aizawa adds.

A change in the denomination. he reckons, might add to some costs - particularly for computer-driven financial institutions - but it could also spur economic activity and boost consumer spending. "If

20 years time, we'll know exactly who to blame.

OBSERVER

Uprooting roots

Hungary's new centre-right government led by prime minister Viktor Orban loves to portray itself as the protector of Magyar Intel supremo Ron Whittier values. But his dedication to peasant maidens twirling in embroidered frocks and

shepherds clearly has its limits. The new regime's efforts to strengthen the role of the prime minister's office has led to a bit of overcrowding, so more space is desperately needed. And what better than the opulent building just opposite parliament that currently houses the national ethnographic museum?

So the order went out last week to move the 200,000-item. collection - by April 1. Even opponents of the government admit the palace, originally built as the nation's Supreme Court, isn't ideal as a museum. But relocating in three months a collection that took four years to move in - losing around 10 per cent of it through damage in the process - seems a little over-ambitious.

So Orban's office has quickly backpeddled - giving the museum until the end of the year to find somewhere new. Two of the three suggested sites are miles out in the suburbs. So if

Magyars dont know their roots in

Wright knees-up

The nerds at silicon colossus Intel have come up with a new way of travelling - business-like class. And it's proving an inspiration to others.

recently flew in to cut the mustard with media types at entertainment outfit Chrysalis. He pitched up in woolly jumper and tracksuit bottoms, to be received by smart-suited Chrysalis chairman Chris Wright. Whittier explained he'd stepped straight off the plane and hadn't had a chance to change. It dawned on Wright that Whittier had been rubbing

shoulders with the great unwashed in economy class. So from now on, Chrysalis executives are under orders to exchange the comforts of first class for cut-price, knees-under-your chin travel. Let's hope they're made of the Wright stuff.

Meeting of minds

The wind of change is blowing in the world of Brussels think tanks. Word has it that Peter Ludlow's Centre for European Policy Studies, the oldest of the cerebral Brussels institutes, and Stanley Crossick's European Policy Centre just might put their

Any marriage between Euroland's brightest sparks would come as something of a surprise. The two thinktanks have always been at opposite ends of the pointy-headed spectrum: Ludiow's centre is a research-driven institution with

heads together.

high costs, while former lobbyist Crossick sees the EPC as a leaner outfit that influences rather than dissects EU policy. But it doesn't take a research project to see economics at

work. A close reading of next year's EU budget shows that CEPS's annual Ecu250,000 allocation, which never completely covered its overheads, is now to be shared between "Brussels think tanks". Might explain why co-operation is the order of the day - two heads are better than one.

Captive clientele

Fancy a night reliving the Nelson Mandela experience? No, not a night in his presidential pad but on Robben Island Island, where he was incarcerated for nearly two decades.

The prison, a few miles off the coast of Cape Town, is now a museum and is planning to offer overnight accommodation to as many as 100 tourists. The sland's management says it will convert warders' homes and other buildings into guesthouses. Observer trusts the breakfasts have improved by opening day.

Alice Rawsthorn and **Victor Mallet**

Ginancial Time 100 years ago

Dubious Traders

A correspondent complains of difficulty experienced by British merchants in obtaining justice in countries like Mexico. The natives there, he savs, are always ready to receive British merchants' goods, but are not always so villing to pay for them. A British merchant entrusted money to a Mexican trader successed to be of high standing and good family connection. But when it came to paying it back, it was not forthcoming. The trader, who was of good social standing, succeeded in getting himself elected Deputy of the State, in which position he cannot be prosecuted, whatever he has

50 years ago Three Days In Rio

members of your staff are paying a flying visit to South America, you want to arrange the journey so as to eliminate unnecessary flights in either direction. British South American Airways operate the most frequent, and therefore

most time-saving, service to South America. You can fly to Rio de Janeiro, for example, on a Friday, spend three days there and be back on the following Thursday."

A THILLY

i'utting heald in the balance

ANTHE HERRING

from itself





FINANCIAL TIMES

brother **PRINTERS** FAX MACHINES

TUESDAY JANUARY 12 1999

THE LEX COLUMN

Lighting up

Takeovers can seriously improve your (financial) health. Yesterday's deal is a coup for both BAT and Rothmans. Rothmans, the smaller, no longer risks slipping down the league of international tobacco companies. BAT improves its portfolio of premium brands and hence its margins. The deal even includes an elegant solution to the thorny problem of having too much equity in the hands of one shareholder.

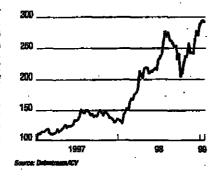
The terms - a 35/65 per cent split in favour of BAT - seem fair, although the absence of a stock quote for Rothmans means relying on accounting rather than market values. If these do disguise a premium for Rothmans, it does not appear to be significant. The £250m-a-year cost savings do not come cheap at a 2400m (\$672m) one-off cost, but could well prove conservative. The stock market reaction was not, marking up BAT's shares by 151/4 per cent. The savings, taxed and discounted back, explain about half of BAT's £1.3bn appreciation. But the market probably rightly assumes other synergies, such as increased marketing and distribu-

The enlarged group could well face tougher competition problems in Australia, Canada and South Africa than it is letting on, which might force some reshuffling of brands. There may also be true, it would hardly undermine the some unease over the complex shareholder deal struck with the Rupert family, via its Richemont and Rembrandt vehicles. But, capped at 25 per cent of the voting equity, they will not be able to block ordinary resolutions governing

things like rights issues or takeovers. What does the deal mean for the rest of the industry? One intriguing issue is what happens now to R.J. Reynolds International, the overseas tobacco arm of RJR Nabisco, widely viewed as up for sale. Rothmans or BAT had been seen as ideal suitors. The deal will also mean a much fiercer competitor to world leader Philip Morris, which could well lead to more aggressive pricing where the two clash. More starkly, the new BAT widens the gulf between the vast international companies and the largely national players, such as Imperial Tobacco, Gallaher, Seita

And even if some of them merge in response, they will still be too small to sit being a public company, Goldman still at tobacco's top table.





Goldman Sachs

So Jon Corzine has paid the price for Goldman Sachs' aborted initial public offering. The investment bank claims Mr Corzine's decision to step down as co-chief executive is part of a routine management transition. That is hard to believe.

It was Mr Corzine, after all, who championed the highly controversial decision to go public within the partnership. Goldman says it is united in its attempt to try again this summer. But if that were really power base of the man who is still, as co-chairman, supposed to be leading the

The fact that Mr Corzine has come under pressure to step aside in the midst of the process suggests the internal divisions about whether to go public or not remain unresolved. And while it would be a shame if the bank lost his services altogether, at only 52 Mr Corzine could be forgiven if he now left to pursue a political career.

Goldman has also failed to put in place the clear management structure investors might expect of a soon-to-be public company. After yesterday's reshuffle it now has two chairmen, one chief executive and two chief operating officers. That convoluted arrangement seems more designed to satisfy the claims of John Thornton and John Thain, the two up-and-coming operating officers, than to promote simplicity. When it comes to has much to learn.

Lucent/Ascend

As voice and data communications converge with dizzying speed, suppliers of telecommunications equipment have to reconfigure not only their clients' networks but themselves. Lucent Technologies, a 1996 spin-off from AT&T, is strong long felt at a disadvantage to Cisco Systems, which comes at the industry from the computing end and specialises in data networking equipment. Following yesterday's \$1.4bn purchase of a software company, buying Ascend would plug that gap in Lucent's product portfolio. Ascend even claims to be a step ahead of Cisco with a powerful line of switches that can rapidly shift vast amounts of data over phone lines. Combining such clever technology with Lucent's powerful financial resources and larger sales force should prove a winner.

Swiss equities

Will the Swiss stock market miss out on euro-phoria? Switzerland is not even a member of the EU and shows no signs of joining – partly because short-term Swiss interest rates would probably have to double. Swiss gnomes are also uncomfortably aware that Finanzplatz Schweiz has more to lose than Luxembourg and London when it comes to EU tax harmonisation.

But while the launch of the Euro might be a mild short-term negative for Swiss equities, there is no reason for investors to discount Swiss blue chips because they are not part of the euro-zone. The Swiss National Bank will do all it can to prevent the Swiss franc breaking through the SF11.55 per Euro "pain barrier", which should limit the currency risk.

But the most important reason is that nan-European investors cannot afford to ignore a market that includes two of Europe's top three drug stocks (Novartis and Roche), two of its biggest banks (UBS and Credit Suisse), two of the world's biggest insurers (Swiss Re and Zurich Finan cial Services) and the world's biggest food company (Nestlé). If the euro is a success, the underlying earnings of these companies will benefit as much as their Euro pean rivals. If not, global companies like Novartis, Nestlé and ZFS have powerful defensive attractions.

Santer pledges clampdown on fraud to save commissioners

By Neil Buckley and Quentin Peel in Strasbourg

Jacques Santer, Commission president, yesterday proposed tough new rules of behaviour covering every level of the European Union executive in an effort to save his administration from being sacked.

In an urgent appeal to the European Parliament to ward off a noconfidence vote that would force the resignation of all 20 commissioners who run the executive, he promised a joint effort to stamp out fraud and

A decision on Thursday to censure the Commission - which requires a two-thirds majority - could plunge the EU into chaos, and threaten the timetable for vital reforms to prepare for eastern enlargement.

Mr Santer's plea met widespread scepticism from MEPs, some of whom accused individual commissioners of hiding behind collective

the EU follows months of allegations of sleaze and maladministration.

The confidence vote was triggered by parliament's refusal last month sign off the EU's 1996 accounts in effect questioning the Commission's financial competence.

With nearly all his team arrayed before angry parliamentarians and a packed public gallery, Mr Santer put forward an eight-point plan to combat fraud.

The centrepiece is three codes of conduct covering commissioners, their relations with their personal offices or "cabinets", and "behavioural rules" for all Commission

The Commission president also cailed for a joint group of "wise men" from the parliament, the Commission and the 15 EU governments to look at plans for a new indepen-dent anti-fraud unit. That approach had earlier been backed by Gerhard Schröder, the German chancellor.

The strongest attack came from Pat Cox, Irish leader of the parlia-The extraordinary confrontation ment's third largest group, the Liber-between two central institutions of als, who said individual commission-

ers should take responsibility for malacministration in their departments. 'Making everyone responsible effectively means that no one is responsible," he said. His party has criticised Edith Cres.

son, the former Prench prime minister responsible for education and training, and Manuel Marin, Commission vice-president formerly responsible for the EU's humanitar ian aid programme. Abuses have been alleged in both departments.

Willi Görlach, representing German social democrats, attacked Mr Santer for failing to present his plans until forced to do so.

With barely concealed anger, Mrs Cresson rejected criticism of her programmes. Mr Marin, however, admitted that mistakes might have been

Mr Santer's concessions last night seemed likely to satisfy parliament's largest group, the Socialists, but it was unclear whether he had done enough to regain the confidence of other groups.

Brazil blocks \$9.7m transfer over state's debt moratorium

By Gooff Dyer in São Paulo

The Brazilian government raised the stakes yesterday in its dispute with Minas Gerais state, which last week announced a moratorium on debt payments, by blocking the transfer of R\$11.7m (\$9.7m) to the state

The move was the federal government's first direct response to the iecision by Minas Gerais, the country's third wealthiest state, to suspend interest payments on R\$18.5bn of debt to Brasilia.

The news that the federal government was keeping its promise to take a hard line with Minas did not immediately ease investor concerns about the impact of the moratorium on Brazil's fiscal austerity plan.

By early yesterday afternoon, exchange had fallen 7.24 per cent, although the volume was extremely thin. Spreads of Brazilian international bond issues also continued to

signed a refinancing agreement with the federal government last year. which allows it to repay the R\$18.5bn debt over 30 years at an interest rate of around 7 per cent.

Eduardo Guimarães, secretary of the National Treasury, said the transfer of funds had been blocked by "an automatic trigger mechanism" because of non-payment of interest. He said this had happened before with other states, but had never been made public. A further R\$55m due to be passed to Minas on January 20 would be blocked if the state did not pay its monthly interest bill of R\$77.5m.

The moratorium by Minas, which claims it does not have the money to pay the interest, is the first direct political challenge to the governshares on the São Paulo stock ment's austerity strategy of high interest rates and steep budget cuts. designed to win back credibility since the Russian default.

The government has come under widen and economists said that the strong international pressure not to harder for Brazilian borrowers to states. Standard & Poor's, the rat-

return to capital markets. Minas ings agency, warned last week "Given its own precarious financial condition, the federal government can ill afford to increase its subside to she states." However, if the government takes

too tough a line with Minas, it could lose support for the emergency budget cuts it is trying to push through Congress, particularly from the Brazilian Democratic Movement (PMDB), the party of Itamar Franco, centre-left governor of Minas. State governors allied to the fed-

eral government will meet in Maranhāo today, when they are likely to attack Mr Franco's decision.

Intel

The six opposition governors are due to meet on January 18. However. no other states have said they will follow Minas, and Anthony Garotinho, opposition governor of Rio de Janeiro, the second wealthiest state, has begun to tone down his criticism of the federal government.

In an interview at the weekend, Mr Franco said that Minas would only repay a \$100m eurobond which Minas situation would make it award any fresh concessions to the matures next month if he was able to meet other spending needs first.

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Pope John Paul II is applauded by diplo ng his annual state of the world address yesterds

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Cityline: how to get share prices and

FT WEATHER GUIDE

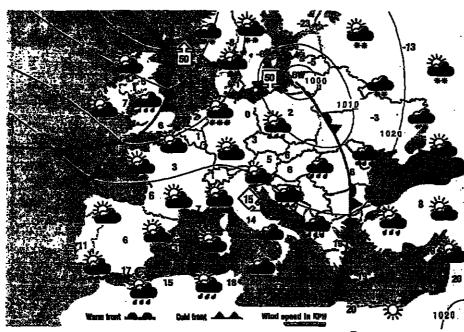
Europe today

News

become prolonged later. Sweden and Denmark will stay showery. and sunny. but snow is likely by late afternoon. Snow showers are likely over Germany, with sleet or Most of France will start dry, but there will be rain in the north-west wifi stay dry with sunshine and broken cloud. Some showers are likely in southern Portugal, but the Mediterranean will be generally dry.

Five-day forecast Bands of rain (with snow in the north) will move across much of Europe, accompanied by strong

winds. Southern Europe and the ranean will be dry at first, but will become less settled later in



TODAY'S TEMPERATURES 02000

December 1998

PolyGram

PolyGram N.V.

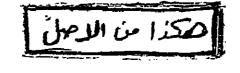
has been acquired by



The Seagram Company Ltd.

SG Cowen acted as a financial advisor to PolyGram N.V. in this transaction.

SG



\$9.7m transfer

ebt moratoriu

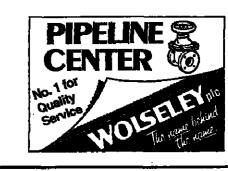
Industrial Consultants.

Auctioneers & Valuers + 44 171 405 8411 **FINANCIAL TIMES**

COMPANIES & MARKETS

TUESDAY JANUARY 12 1999

OFFICIAL INVESTIGATION INTO GERMAN BANK'S REAL ESTATE DEALS TAKES SHINE OFF RECENT MERGER



INSIDE

Schneider agrees to acquire Lexel Schneider, the French electrical equipment maker, has agreed to buy Lexel of Scandinavia for FFr6bn (\$1.06bn, €915m). The purchase of the specialist manufacturer will boost its sales in low voltage final distribution. Page 16

Futures and options volume up 10% The volume of futures and options contracts traded on derivatives exchanges rose 10 per cent last year to 2.2bn. Eurex, the German-Swiss exchange, posted the biggest rise - of 61 per cent - in trading volume, while the Chicago Board of Trade, remained the world's largest derivatives market. Capital Markets, Page 24

Leading HK developer raises \$299m New World Development, one of Hong Kong's biggest property developers, raised a net HK\$2.32bn (US\$299m) through a share placement to Chow Tal Fook Enterprises. Page 18

Hungary attracts foreign interest



Hungary looks set to benefit from post euro enthusiasm, and equities are not alone in attracting foreign inves tors: the government of Viktor Orban (left) has achieved lower inflation forecasts, helping to underpin inflows into the bond market. But while the short-term outlook is good,

could hit exports in the second half of the year. Emerging Markets Focus, Page 36

Europe's sugar harvest has been hit by bad weather, and latest estimates put total European Union sugar output at about 17.4m tonnes, compared with last season's record of nearly 19m tonnes, Commodities Page 26

Outcome of defence talks-uncertain As talks resume between European aircraft and electronics manufacturers after the Christmas break, it remains difficult to forecast the shape of the first deal or its participants. Page 16

EU commercial woodland threatened A surplus in EU timber and a rise in imports has resulted in only 65 per cent of annual growth in EU commercial woodland being cut, and the widening gap between growth and harvest could lead to a long-term deterioration in European forestry. Commodities, Page 26

Weather hits European sugar crop

L&H founders move into investment The founders of Lemout & Hauspie Speech Products, the Belgium-based voice technology ploneer, have set up an investment company to focus on long-term, strategic investments in information technology companies. L&H Investment Company will take long-term minority stakes in technology start-ups. Page 16

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Hypo faces property loans probe

Bayerische HypoVereinsbank, Germany's second largest commercial bank, is under official investigation for possible irregularities in property loans, an area that caused an internal dispute at the bank last year.

State prosecutors in Munich. where the bank has its headquarters, said yesterday that the inquiry concerned managers of the former Hypotheken-& Wechsel-Bank, which merged with Vereinsbank in September to create HypoVer-The merger was barely two

months old when HypoVereinsbank surprised investors

Chips are up

cover overvalued real estate munist eastern Germany. The real estate projects, run

by two Hypo-Bank subsidiaries, Hypo-Real and Hypo-Tecta, went wrong largely because the mortgage market in eastern Germany failed to take off as expected after Germany's reunification in 1990. The affair has taken the gloss off a merger that was supposed to show the ability of German banks to restructure

and improve efficiency and profitability.

Intel leads the way as computer

industry celebrates festive rush

Strong seasonal PC sales have raised hopes of good times

intel is also racing ahead.

its third generation of Pentium

current quarter under the

For other US chipmakers the

outlook is less clear. Slow

sales in Asia and uncertainties

growing, low-cost segment of However, projections for the future performance of the PC the PC market, for machines year ahead are encouraging, selling for under \$1,000. How with analysts expecting the prices for PCs dipped below

range of PCs signals that the growth rate of about 15 per analysts. With \$500 PCs expeccompany is giving no ground cent after a decline last year. ted to be widely available in o competitors.

Apple Computer, which is the US within a few months, Nonetheless, rival AMD is set to release its results tomorthe profit margins of PC manuexpected to report solid profits row, said last week that it had facturers and their component for the last quarter, estimated completed its fifth consecutive suppliers could be squeezed.

phones - another industry Apple's iMac.

cessors to compete with Intel's fair in San Francisco.

in Silicon Valley, reports Louise Kehoe in San Francisco

included risk provisions of determine whether Hypo-Bank cial provisions dented Hypo-DM3.5bn (€1.8bn, \$2.1bn) to officials had extended property Vereinsbank's reputation as officials had extended property loans without arranging nece projects, mostly in former com- sary valuations. They said they had confiscated files relating to the loans from HypoVereinsbank's offices in a search last month.

Last year, more than six months before completion of the merger, Hypo-Bank took a separate provision of DM1.5bn for losses in property deals. Hypo officials said this was enough to address the problem, but Albrecht Schmidt, chief executive of HypoVereinsbank, formerly chairman of Vereinsbank, said in October it had been far too little.

one of Europe's most cautious banks. In contrast to some competitors, it had steered clear of exposure to hedge A quarrel also erupted between Mr Schmidt and Eberbard Martini, former chairman of Hypo-Bank. Mr Schmidt

blamed Mr Martini and his Hypo-Bank colleagues for the overvalued property deals. Mr Martini, who lost management responsibilities after the merger but gained a seat on HypoVereinsbank's supervisory board, hit back at Mr Schmidt by publicly describing

The two later patched up their dispute, but on terms that appeared to leave Mr Schmidt the stronger. Hypo-Vereinsbank's supervisory board unanimously approved his proposal for the extra DM3.5bn in risk provisions and supported his view that some heads should roll because of the overvalued property deals. Underlying the dispute was the perception of some former Hypo-Bank managers that the merger was not a true mar-

riage of equals. Among other imbalances, Hypo-Bank was given only five

Lucent to acquire telecoms software maker for \$1.5bn

By Roger Taylor in San Francisco, liam Lewis in New York and

Lucent Technologies, the world's largest telecommunications equipment manufacturer. vesterday announced the \$1.48bn acquisition of Kenan Systems, a leading maker of elephone billing and customer care software. The announcement came as

Lucent investors were digesting the disclosure in the Financial Times that Lucent is close to announcing a merger with Ascend Communications, a US data networking group.

Yesterday both Lucent and Ascend declined to comment but people close to the talks said the deal remained on track to be announced within

morning Ascend's share price rose \$51/4 to \$7611, giving it a market capitalisation of more than \$16bn, while Lucent shares fell \$211 to \$1121. Shares in Alcatel, the

Stronger than expected at 18 cents a share, versus a profitable quarter, after heavy demand for personal comput- loss of 9 cents a share in the losses in the previous year. which approunced an alliance ers in the final months of last same period a year ago. AMD Sales of Apple's iMac PCs with Ascend six months ago. week a new generation of Steve Jobs, Apple chief execu-higher performance microprotive, told the Mac World trade acquisition would damage paring to leave the network. Motorola, which supplies Alcatel's competitive position microprocessors for the iMac, Yesterday, the company said should get a boost from the future of the alliance. Apple's new found prosperity. However, this may be offset by

petitors, with Siemens of Ger- businesses.

many up €0.30 at €61.10. Ericsson of Sweden down SKr5 at SKr206.50 and Nokia of Finland up €0.59 at €118.99.

Discussing the Kenan acquisition yesterday, Dan Stanzione, chief operating officer at Lucent, said it fitted well with the company's strategy of targeting the fastest-growing parts of the telecoms market. He said the communications

software market was growing at' 25 per cent a year and would be worth about \$26bn in 2000. Kenan Systems is the leading provider of third party billing and customer care software, a market growing at 30 per cent a year.

Mr Stanzione added that billing and services software was the area in which telephone companies were experiencing days. the great on Wall Street yesterday products. the greatest need for better With the growth of competi-

tion in the telecoms sector, operators were increasingly seeking to differentiate themselves by the quality of their billing - for instance, the abil-French telecoms manufacturer ity to itemise a bill and analyse a customer's spend in different ways. Kenan's software can for example recognis cent, to £115 on the news of trends and give early warning the link-up. Analysts said an that a customer may be pre-

Mr Stanzione would not as well as casting doubts over comment on the talks with carrier's entry into the Onethe future of the alliance. Ascend but confirmed that world alliance. However, Isao
The news also moved the Lucent was interested in Kaneko, JAL president, has share prices of European com- acquiring data networking denied plans for a global

American and Japan Airlines set for alliance

By Alexandra Harney in Tokyo

American Airlines is expected to announce today a broad alliance and code-sharing deal with Japan Airlines. It would be the latest in a series of bilateral agreements bringing JAL closer to membership of Oneworld, the global airline grouping. Last month Japan's largest

airline initiated code-sharing talks with British Airways which with American Airlines heads the Oneworld alliance. JAL has bilateral ties with all the other members of Oneworld, which also includes Canadian Airlines, Cathay Pacific and Qantas. JAL declined to comment on the status of negotiations with

both American and BA. Analysts said the recent move by All Nippon Airways, Japan's second-largest airline, to join the rival Star Alliance, which includes United Airlines and Lufthansa, had increased ressure on JAL to secure a place in Oneworld.

If approved by regulatory authorities in Japan and the US, the alliance would give customers of both airlines easier access to the 290 cities served by American Airlines and 70 cities served by JAL and its units. Analysts said JAL stood to benefit from increased traffic from American customers to cities in Asia, as well as the cost savings from joint maintenance, ticketing and airport facilities. It would also allow American better access to Japan's overseas travellers. The announcement comes

nearly a year after the two carriers first agreed code-sharing and joint reservation agreements. At that time, JAL and American agreed to expand their frequent-flyer programme to co-operation on reservation systems, cargo operations and code-shared

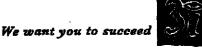
However, talks had been bogged down by problems setting up the computerised joint reservation system, concerns about the codesharing agreement's negative effect on JAL's relations with other carers, and other matters related to the size of the deal,

paves the way for the Japanese

This announcement appears as a matter of record only

nstitutional **Buy-out of** Amtrak Express Parcels

Led, structured and arranged by 3i



UK seeks power to rule on bid for London Electricity feels there are issues about ders agreeing new licence con-

By David Wighton and Andrew Taylor in London and Enma Tucker in Brussels

The British government has to the UK." asked Brussels to allow UK competition authorities to referred to the UK Office of It would be difficult to impose investigate Electricité de Fair Trading. France's £1.9bn (\$3.1bn) bid for London Electricity.

robust fourth quarter results

from US high technology com-

Devices, the two leading sup-

pliers of microprocessor chips

used by the PC industry, are

analysts are projecting earnings of \$1.07 a share for the

world's largest chipmaker, up

results this week.

Intel and Advanced Micro Pentium II chips.

both expected to report strong chips will be launched in the

Intel, which is due to report brand name Pentium III. The its results tomorrow, will be new chips are expected to pro-

the prime beneficiary of the vide enhanced images and

from 98 cents a share a year about demand for cellular tele-

Questions remain about with a big appetite for chips -

Intel's ability to maintain mar- may produce mixed results for

ever, Intel's recent introduc- world semiconductor market

tion of new chips aimed at this to resume its traditional

ket dominance in the fast, the final quarter of 1998.

strong PC market. Wall Street sound in high-end PCs.

for ruling on competition

Ministers have highlighted the state-owned French com- this case. pany's dominance of the crosschannel interconnector Byers, the UK industry secrethrough which it supplies 6 per tary, said the request to allow cent of UK electricity demand. British authorities to consider There is also concern over the the bid did not signify that the Cases are normally only lack of access British compa- government had particular handed back to national nies have to the French elec- concerns.

The Department of Trade ensure that the case was the single market. and Industry said it was "an treated consistently with preconsideration by the UK regional electricity companies. general of Fair Trading.

regulating the industry that ditions to ring-fence the target

cross-border bid would nor-Concern over the proposed mally be decided by the Com- have expressed concern that deal's impact on competition mission. Brussels officials that subsidised French electricity, in the UK power sector has had been expected to rule on from the state-owned EdF has prompted British ministers to the bid next week have post- undercut British coal-fired ask the European Commission poned their decision to assess power stations. to hand over its responsibility the UK's request. The Commission is under- ried that London Electricity

stood to be reluctant, however, supported by EdF could have to give up its jurisdiction in an unfair advantage when the A colleague of Stephen fully competitive this summer.

He said ministers wanted to

merit the case being referred and ensure that business conducted with the parent was It has asked that the bid be done on an arms-length basis. such conditions if the bld was The outcome of a large handled by Brussels, he said. British ministers, however.

problems in its cellular tele-

Microsoft, with its dominant

position in the market for PC

software, benefits from all PC

sales. Its Windows operating

system is installed on most

PCs and Microsoft is also the

leading supplier of software for

Despite expected strong

results for the final quarter of

1998, questions hang over the

\$1,000 for the first time last

month, according to market

phone business.

UK power suppliers are wor-

UK power market becomes The Commission is con-

cerned it might set a precedent if it gives up its jurisdiction. authorities when they do not affect a "substantial part" of

DTI said it made the request unusual case" which needed vious bids by generators for on the advice of the director

Company Line

CURRENCIES

NEWS DIGEST

European fund managers

enthusiastic about euro

Continental European fund managers are overwhelmingly

believing it will be the world's strongest currency over the

next 12 months. A survey of 68 large European institutions

with \$1,018bn-worth of assets under management, carried

bullish on the prospects for the euro, with 89 per cent

out by Gallup for Merrill Lynch just after the euro was

or the dollar over the next 12 months.

launched last week, found little support for either the year

This bullishness is set to be confirmed by a survey of

the world's fund managers to be published today and is

likely to fuel the debate about the use of the euro as a

gist at Merrill Lynch, said: "Fund managers around the world have fallen out of love with the dollar in 1999." The enthusiasm for the euro mirrored that for the dollar

reserve currency. Bryan Allworthy, European equity strate

a year ago, he said, and reflected a sharp drop in support

for the dollar over the past month. Only 8 per cent of the

European respondents favoured the US dollar last week, compared with 15 per cent in December. Just 3 per cent favoured the yen and no-one favoured sterling last week

Enthusiasm for the euro has also encouraged greater interest in continental European equities. Some 79 per cent of European fund managers were optimistic about

domestic euro-denominated equities over the next 12

Profumo reconfirmed as chief

A showdown over the new top management structure of

UniCredito Italiano, Italy's largest bank in terms of market

capitalisation, was yesterday averted when the bank's new

board reconfirmed Alessandro Profumo as chief executive,

Mr Profumo is one of Italy's most respected among a new

Tensions had grown inside the bank after the charitable

generation of bankers and is widely credited for transfor

ing the group into one of Italy's most dynamic banks.

foundations controlling three regional northern banks

which merged with Milan's Credito Italiano last year had

sought a greater say in the management of the enlarged

in a gesture of independence, two of these foundations

recently sold a 0.75 per cent stake in UniCredito to Deut-

sche Bank, a move which unsettled the bank's manage-ment. But Mr Rondelli yesterday adopted a conciliatory

tone to Deutsche, saying the Italian group was ready to

of UniCredito and made good business sense.

co-operate with the German bank if it was in the interest

Lucio Rondelli was reconfirmed as chairman.

months, up from 48 per cent in December.

UNICREDITO ITALIANO

Schneider agrees FFr6bn takeover of Lexel

Schneider, the French electrical equipment maker. is strengthening its position in electrical installation products by agreeing yesterday to buy Lexel of Scandin- people. avia for FFr6bn (€915m.

The company said the purchase would multiply by six man, said the move was - its sales in low voltage ket had changed and was final distribution, taking it now ready for "a total offer

Chairmen

of L&H

start-ups

Jo Lernout and Pol Hauspie

the co-founders and co-chair-

men of Lernout & Hauspie

Speech Products, the Bel-

gium-based voice technology

pioneer, have set up an

investment company to

focus on information tech-

The two men have trans-

ferred just over half of their

20.32 per cent personal hold-

ings in Lernout & Hauspie,

worth about \$220m, to L&H

Investment Company which

plans to take long-term

minority stakes in technol-

ogy start-ups. The company

has arranged a \$55m bank

Mr Lernout and Mr Haus-

pie said they expected L&H

Investment to attract private

investors and typically to

take 15-25 per cent stakes in

They revealed the com-

pany had completed its first

investments, including a

stake in Applied Voice Rec-

ognition, a publicly traded

Houston-based developer of

mobile dictation equipment

LHIC has also invested in

four private companies: ViA,

a Minnesota maker of com-

puting and communications

products; Mindmaker, a San

Jose maker of artificial intel-

ligence technology compo-

nents: Mediacom Technolo-

gies of Singapore, which

designs telecommunications

products, and Star+ Globe

Technologies, a Singapore developer of multilingual

NEW YORK

TOKYO

January 1999

for the healthcare market.

companies.

credit that can be increased

nology companies.

to fund

By Paul Taylor

ist maker of electrical installation products and systems, such as switches and trunking and ducting equipment, has annual sales of some FFr3.5bn and employs 5,000

Didier Pineau-Valencienne, who is soon to step down as Schneider's chairfrom FFr700m to FFr4.2bn important because the marto second place in Europe in from the plug to the trans-

> V produce the foundafill the coming weeks

pean aerospace and defence

one? Or will US defence com-

panies strengthen their pres-

These questions are swirl-

ing around the defence

industry again as talks

resume between European

aircraft and electronics man-

ufacturers following the holi-

The intensity of discus-

sions before Christmas,

involving half a dozen Euro-

pean aircraft and electronics

companies, fuelled specula-

tion of an imminent deal

which would determine how

the overcrowded industry is

But no-one at this stage

wants to predict timing. And

it is still hard to forecast the

shape of the first deal, or its

The companies that got

closest to a deal were British

Aerospace (BAe) and Daim-

lerChrysler Aerospace

(Dasa), on a merger which

would be the first step

towards creating a European

BAe champions the con-

cept of a pan-European com-

pany which would include

all significant aircraft and

defence electronics compa-

nies. BAe and Dasa are part-

ners in the Airbus consor-

tium, which has developed

into one of only two large

manufacturers of civil airlin-

ers in the world. They want

to create an even greater

global force of which Airbus

We are pleased to announce the election

of the following officers

Alvaro Aguirre

Cary J. Davis

Kyle F. Frey

Robert S. Janis

Rajiv B. Lali

Scott T. Lewis

Nancy Martin

James McNaught-Davis

Donald C. Schultheis

Barbara Tarmy

Donna M. Vandenbulcke

Patricia F. Widner

Managing Director

E.M. WARBURG, PINCUS & CO., LLC

SINGAPORE

would be the civil arm.

to be rationalised.

participants.

industrial force.

ence in Europe?

tions of a single Euro-

this market. Lexel, a special-former". In the past, Schnel- and earnings-enhancing in about six weeks before Mr the acquisition would be der's products had not pene- 2000. The purchase is to be Pineau-Valencienne is due to mainly in marketing. It "We have been madly trying to acquire the low end of the low voltage market."

> also reduce the cyclical risk north of the continent. attached to the group and enable Schneider to replace competitors as Lexel's supplier of circuit breakers. Schneider said the impact of the deal on net income

confront the creation of a

First, there is the difficulty

of agreeing deals acceptable to shareholders. BAe recog-

nises that its terms must be

reasonably generous to

future partners if it is to per-

suade them to share its

vision. But it has to main-

tain shareholders' lovalty.

especially by putting in

place a strong management,

able to take tough decisions

On the German side, Dasa

for the future group.

Experience has

how many

obstacles

confront the

creation of a

united company

accounts for only 7 per cent

of the sales of DaimlerChrys-

ler. But it is the only signifi-

cant German aerospace com-

pany, employing 45,000

people, and its fate is of

DaimlerChrysler, which

dwarfs all defence compa-

nies, will therefore stay as

an important shareholder in

any group into which Dasa

is merged. It needs a deal

that reflects its clout and

Issues of corporate gover-

strong interest to Bonn.

shown, however,

ımited company.

Rivals play cagey game

over aerospace alliance

NKT Group. should be neutral in 1999 Yesterday's deal comes

reduced voting rights.

pean defence company.

the electronic

systems that equip the plat-

Lord Simpson, managing director of General Electric

Company of the UK, is seek-

ing a dramatic improvement

in return to shareholders.

One option, among several,

would be to sell the Marconi

de<u>fence</u> electronics arm.

nity poses a dilemma.

future group to what might

be an unacceptably low

starting point. It could be

interpreted as a "UK-first"

deal, just as French moves to

consolidate were criticised

Which leads to France. For

as "Franco-French".

cash flow and credit lines.

trated consumers' homes. funded through existing be succeeded by Henri Lachmann and less than a week Lexel does business in 15 after Mr Lachmann took European countries through over as chairman of Schnei-Mr Pineau-Valencienne 26 manufacturing sites. It is der Electric, the group's at "developing a coherent said the purchase should particularly strong in the principal subsidiary. The product and system offercompany said yesterday the It was established in 1995 acquisition went in the through the merger of the

electrical components mann wanted for Schneider. The French company said divisions of Finland's Ahlström and Denmark's Lexel's management and organisation would remain tive organisations, by March in place and synergies from 31, 1999.

added that over the longer term, additional synergies should be achieved through technical co-operation aimed

Plans are to complete the direction of what Mr Lach- transaction, which is subject to due diligence, regulatory approval and consultations with employee representa-

The changing face pan-European defence Market cepitalisations of aerospace and detence con % change (Jan 1 1998- Jan 7 1999)



the British and the Germans. ket for defence products. French participation in a reshaped industry is essential. but the French government has to reduce its holdings so that it can exert no influence over management of a

paris is willing. It no longer has a majority in Thomson-CSF. the defence electronics concern. Terms of the partial privati- painted to be. sation of Aerospatiale, through a merger with the Matra defence interests of Lagardère, are expected to unclear whether the Pentabe agreed shortly. The government has signalled it is prepared to divest further if European deals can be

GEC last year bought a US defence electronics company and has explored the likely reaction of the Pentagon to further moves. The market has been moving in its favour a sharp fall in share prices of several US companies and a rise in those of European counterparts, has made them seem much less the giants they are often

Northrop Grumman, for example, is a relatively small target. But it remains gon will give the keys of "Fortress America" to a for eign company.

Though their domestic market remains highly protected. US defence companies can see the danger to them from a very large and

"Costs for these measure

amount to approximately

against earnings of the auto-

motive division in 1998,

The full impact of the lat-

est overhaul will be dis-

closed later this month when

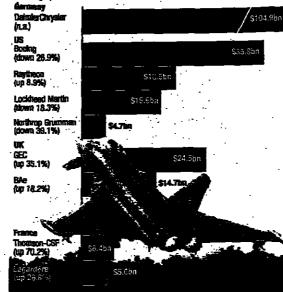
SKF publishes its fourth

quarter figures. For the first

nine months of the year, the

group reported a pre-tax loss

SKF shares, which have



merged group.

BAe thus has a chance of getting what it wanted – to absorb Marconi without having to enter a full merger with GEC. But the opportu-Marconi would be an important element of a European defence company. But acquiring it before a Dasa deal could mean diluting DaimlerChrysler's stake in a

> struck. In spite of the wish of London, Paris and Bonn to see a consolidated industry in Europe, a further important efficient company which obstacle is the lure of the could emerge from European US, by far the biggest mar- rationalisation.

CYPRUS

banking group.

Paul Betts, Milan

Popular Bank in insurance buy Popular Bank, Cyprus's second largest financial institution which is 22 per cent owned by HSBC Holdings, has bought three local insurance companies - Paneuropea Philiki and Interamerican - for C£47m (\$93m), making it

the biggest deal in the island's business history. Kikis Lazarides, executive chairman of Popular Bank, said the deal made the group the leading force in the island's insurance industry, with a 30 per cent market share. The government and the central bank had approved the deal, he said. Mr Lazarides said that the group would now seek to expand its insurance business to Greece. Popular has a 30 per cent market share of the island's

SVENSKA HANDELSBANKEN

Computer system abandoned

banking business. Andreas Hadjipapas, Nicosia

Svenska Handelsbanken, one of Sweden's largest lenders, yesterday said it had abandoned work on an integrated computer system for its branches around the Nordic region. The bank, which has been working on the so-called Nord project for more than six months, said delays and rising costs associated with the system had prompted a rethink.

Total costs for introducing the system, based on a platform known as Corebank from computer group IBM, were estimated at more than SKr1bn (\$126m) over 10 years. Although the bank said it still considered Corebank the best system available, it confirmed its was exploring "faster and cheaper ways" to upgrade its existing systems. Tim Burt, Stockholm

EYEWEAR

Luxottica mulis Ray-Ban buy

Luxottica, the Italian spectacle-frame maker which has become the world leader in this market, yesterday said it was considering bidding for Ray-Ban, the US sunglass brand. Leonardo Del Vecchio, chairman and founder of the Italian group, sald the US company was on the market and Luxottica was "studying it".

Ray-Ban is controlled by Bausch & Lomb, the US eyewear and healthcare group, which has decided to sell its sunglesses division including the tamous brand. Paul Betts

ANGLO AMERICAN

Former chairman dies

Gavin Relly, chairman of South Africa's Anglo American conglomerate between 1983 and 1990, died on Sunday after a short illness. He was 72.

Mr Reity began his long career with Anglo in 1949 as an administrator of its mining and industrial interests. He succeeded Harry Oppenheimer at the head of the company and was in turn succeeded by Julian Ogilvie Thompson, who yesterday paid tribute to him for "an extraordinary contribution to the affairs of Anglo American and of South Africa". Victor Mallet, Johannesburg

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SKF cuts automotive jobs

chief executive. Mr Carlsson. Brazilian plant is expected to

SKF said.

By Tim Burt in Stockholm

SKF, the world's largest manufacturer of rolling bearings, yesterday announced a wide-ranging restructuring of its US automotive operations as part of a SKr2bn (\$253m) global reor-

The Swedish group said it would stop producing taper bearings in the US and cut the workforce at its plant in Glasgow, Kentucky, by more than 80 per cent. The move signals a more

iggressive refocusing at SKF following the appointment last year of Sune Carlsson as the group's new

recruited from Swiss-Swed- be cut by one third. ish engineering group ABB, has vowed to withdraw from loss-making areas and cut SKr300m and will be charged investment in capital equipment by SKribn a year. SKF said the workforce in

Kentucky would be cut from 340 to 160, while a further 170 jobs would be cut at its plant outside São Paulo in The company said that US

production of taper bearings

trucks and buses - had been

used in wheels for cars,

unprofitable for several years, while demand in Bra-zil had fallen.

risen by 30 per cent in the past three months, yesterday fell modestly by SKrI to In total, output from the

Agfa to buy Sterling of US By Uta Hamis In Frankfurt

Agfa-Gevaert, the film and graphic systems subsidiary of German chemicals group Bayer, said yesterday it would buy US firm Sterling Diagnostic Imaging for an undisclosed price.

The purchase, expected to boost Agfa's annual DM8.4hn (€4.3bn, \$5.04bn) turnover by roughly one tenth, is the latest in a series of German companies seeking to gain market share in the US.

Last year, Bertelsmann, the German media company,

& Noble's Internet booksell-Sterling's and Agfa's medi-

cal imaging products largely overlap and the acquisition is marked by the desire to grab a share of the US's lucrative pharmaceuticals market.
In addition to offering high

growth rates, the US pharmaceuticals market is unhampered by the kind of government regulated pricing that limits companies in

With 70 per cent of Sterling's sales in the US and 30 bought Random House, the par cent in Europe, the US cent of its Agfa sub-largest US publisher, and a firm offers a mirror image of the second quarter.

50 per cent stake in Barnes Agfa's distribution. So far, Agfa sells 20 per cent of its imaging products in the US, with the remaining 50 per cent in Europe and about 30 per cent elsewhere.

The move also makes Agfa

one of the two largest players in medical imaging. alongside Kodak of the US. Japan's Fuji ranks third among the world's big three medical imagers. The purchase is still subject to regulatory approval.
The Sterling buy should

make Agfa more attractive to investors if Bayer realises its plans to sell up to 75 per cent of its Agfa subsidiary in

Svyazinvest sell-off to raise Rbs14bn

The Russian government

Nail Ismailov, chief executive, confirmed yesterday plus one share sold to the plans for a sale within six Mustcom group of investors months of 25 per cent of the in August 1997. company less two shares,

be cut to just over 50 per

The move would put back plans to generate at least on track an important par-Rbs14bn (\$600m) from the tial privatisation held up by sale of a 25 per cent stake in the Russian financial crisis Syyazinvest, the state-con-trolled telecommunications considerable controversy surrounding the sale of the original stake of 25 per cent

government's stake would telecoms companies, as well as a 38 per cent stake and 51 per cent of the voting rights in Rostelecom; the long-distance and international carrier.

Mr Ismailov declined to comment on figures issued over the weekend by the state property ministry that the sale would raise at least Rbs14bn, that would represent a considerable the share sale did not take drop from the estimated place as planned. Svyazinv-Svyazinvest owns control- \$1.6bn when the stake was est would raise money

last October. It was bonds this year, either in the cancelled in the wake of the company's own name or by country's financial crisis. However, one analyst said • The state property minisyesterday that "unless they

change the structure of the company, even this lower sum would not be well spent by investors. The company by investors. The company does not really control its lar stake sold at the end of

Mr Ismailov said that if the ling stakes in 88 regional originally scheduled for sale through an issue of euro-largest oil producer.

the state

try said that it planned to raise at least Rhsi3bn from the sale of a 2.5 per cent stake in Gazprom, the utili-

last year. It added that a further Rbs4bn or more should be generated by the sale of 9 per cent of Lukoil, Russia's

CREDIT FIRST SUISSE BOSTO



Section 19

We want your business.

European fund manage denthusiastic about em

Bulleton of the

Professor reconfirmed as &

Popular Bank in insuring

CHARLES OF STREET

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Credit Suisse First Boston.

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AT&T backing stack for shares of Liberty Media Group and TCI Ventures Group	Darmler-Blanz AG	Norwest Corposition	Zunch Financial Services	Tyco International L.M.	Group Inc.
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H.F. Ahmanson & Company	SETTINTO MOBILIZACI TOLIAMO BUA.	NØRTEL Rorthern telecom	SOUTHERN	STAR BANC CORPORATION	WESTERN ATLAS
has been acquired by		bus acquated	has agreed to merge with	has merged ≠th	has coproped with
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Union Camp Corporation	Sprint FON and Sprint PCS	Sealed Air Corporation	Cardral Health, Inc.	10101	Allianz AG Holding
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bas sold a majority voting interest in and ontered into a strategic althrice with	has agreed to acquire	has morged with	has conged with	tes agreed to be acquired by	has agreed to acquire
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\$4,000,000,000			4. 4.	The C# David	
exy .	ALEE	COURTAULDS	Johnson-Johnson	The St Paul	The U.S. Department of Energy las sold as elevent in
hes sold MidCon Corp.	has acqu≪ed	pes peen acchined pir	hoe acquired	has acquired	The Elk Hills Field Naval Petroleum Reserve No. 1
- KN Energy, Inc.	Aluman Inc.	Alcoo Nobel NV	DePuy, Inc.	USF6G Corporation	Condentel Petroleum Corporation
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has been acquired by	acquisition of turnoity interests by	hes ecid its radio broadcasiing operations in	The DuPoni Merck Pharmaceutical Company	has marged with	has agreed to acquire a 25 percent laterest in
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has acquired.	' iss been acquired by	that agreed to acquire	has been acquired by Marsh & McLennian	and Bombay gin brands to	
Alted Colloids Group pit	Enson Corporation	Elsag Bailey Process Automation N.V.	Companes, Inc.	Becardi Limited	.Pulitzer Publishing Company
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Alled Group, Inc. and affiliates	Arbor Drugs, Inc.	Michas, Inc.	Inland Steel Industries, Inc.	Hughes Electronics Corporation	Cagoty FLO
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Seinson		AFP.	Bayer (†)	Deutsche Post AG 🙎	⇒PLACER DOME NC.
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Colombia tas sold a 65 parent interest of	CENDANT		Hoechst -	has extered also a part venture of its eastern and Bull Coast refining and marketing operations with those of	Tempore, Dass extends into a joint venture of its projections and venture reference and
Electromsta and Electrocaribe	hee agreed to sell Candant Software	section of barries cet	edukte with respect to pending demorger of	and Bull Coast ephing and maintening operations with those of Shell Oil Company and Sauch Refining, Inc.	has exposed into a joint venture of its makesplann and venture referring and receivable operations and its national labourship and pipeline businesses with those of Shell Oil Company
Houston industries, Inc. and Electricidad de Caracas	Hanas SA	Manchester United PLC	Celanese AG	to lone Moliva Enterprises LLC	to form Equilion Enterprises LLC

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CREDIT FIRST BOSTON

Goldman to advise LTCB on finding buyer | Mexican group in Japan to compete with appointment did not mean Capital the IIS company which in Philippines

The Long Term Credit Bank, resolve the banking sector's the troubled Japanese group, has appointed Goldman buver for its operations

politically controversial and high-profile sale in Japan's

(\$538bn) reform package to Japanese banks:
resolve the banking sector's Goldman Sachs yesterday problems.

The announcement high-Sachs, the US investment lights the degree to which bank, to advise on finding a non-Japanese companies are The appointment is the domestic investment bank- including several Japanese stepped in to buy the assets first time that a foreign bank ing market and suggests the groups. "We chose Goldman of Yamaichi Securities, the has participated in such a government may like to sell. Sachs because they have a failed Japanese broker, last temporarily nationalised last Goldman Sachs is scramautumn, as part of the gov- bling to build its operations

refused to comment, However, LTCB said that it had appointed the US group after purchase Japanese banks reviewing the operations of making inroads into Japan's 20 other banks and brokers, sive. However, Merrill Lynch LTCB's operations to a non- good performance both year. Japanese buyer to secure a inside and outside Japan. Japan.'

ing a non-Japanese buyer. Foreign banks have traditionally been reluctant to because they were so expen-

Separately, Japan Leasing, financial world. LTCB was better price. It comes as and good operations in a bankrupt subsidiary of Trust, another large Japa- port their own operations.

that it was deliberately seek- is also expanding its pres- indicated last summer that it ence in Japan. LTCB yester- might conclude a merger day refused to comment.

> Nevertheless, in a move that may deter some foreign bad loans became clear. bidders, the LTCB management has stressed in recent weeks that it hopes to sell the Japanese bank's main operations as a single entity. LTCB is understood to be

in talks with Sumitomo ment will continue to sup-LTCB, has indicated that it nese group, about a possible LTCB stressed that the may sell its operations to GE sale of its operations to the

with LTCB, but backed away when the scale of LTCB's

However, some Sumitomo Trust officials remain keen to conclude a deal with LTCB, not least because they hope that this would ensure that the Japanese govern-

Normandy makes Great Central bid Moody's

Normandy Mining, Australia's largest gold producer, yesterday launched a bid for control of Great cent. Normandy lifted its Central Mines, the country's second largest producer.

Normandy already owns 27.8 per cent of GCM, which operates mines in the goldrich Yandal Belt region of GCM shares was launched Western Australia, The group's interest in acquiring the rest of GCM was well known, but yesterday's offer surprised markets because Normandy made the bid with the family-owned company of Joseph Gutnick, valuing the company at GCM chairman and founder.

Normandy has an annual output of nearly 1.5m ounces. GCM last year produced about 651,000 ounces.

The bid also highlighted a growing wave of consolidation in Australia's resources industry, which is facing a downturn in commodities prices amid continuing high

Gutnick-controlled company, owns 12.6 per cent of GCM, giving a combined Edensor-Normandy stake of 40.4 per stake in the past two years in return for financing GCM's expansion.

The joint Normandy-Edensor bid for the remaining through Yandal Gold, a Western Australia-based company owned 49.9 per cent by Normandy and 50.1 per cent by Edensor.

Yandal offered A\$1.50 per share for GCM, or A\$276m, A\$463m (US\$293m) based on 309m ordinary shares on

On the stock market, GCM shares jumped nearly 8 per cent to close at A\$1.44, ahead of last year's low of A\$1.10 but well behind the peak of Jundee-Nimary and Wiluna A\$2.36. Normandy fell 2 gold mines and exploration cents to A\$1.50.

exploration and production offer was conditional on mandy's Kalgoorlie gold acceptances by 75 per cent of operations

Edensor Nominees, the shareholders on 90 per cent of the outstanding shares. If successful, the bid would give Normandy 57 per cent of Great Central and Edensor, 43 per cent.

Normandy, which has a market capitalisation of about A\$2.6hp, said the joint bid was part of its "rationalisation strategy". lan Gould, group manag-

ing director, said the transaction would continue Normandy's programme of "business simplification" toward larger, lower cost operations. Analysts, however, said the arrangement was aimed at accentance by GCM shareholders of Normandy's bid and would pave the way for a takeover.

Mr Gould said the bid would bring Normandy's interest in GCM's Yandal assets - the Bronzewing. tenement holdings - to sec-The companies said their ond in importance after Nor-



Denial: Robert Champion de Crespigny originally sald hedging book

by a cash facility of up to GCM bid. At the time. Nor-A\$276m from Chase Manhattan Bank. Normandy's offer came

five weeks after it raised gold hedging book, fuelling ety of other projects.

The bid is to be financed speculation about a possible mandy's executive chairman, Robert Champion de Crespigny, denied the cash was for such a bid and said A\$650m by closing out its it would be used for a vari-

gloom on Japan insurers

By Nacko Nakamae in Tokyo

Japan's troubled life insurance industry was dealt another blow yesterday when Moody's, the US credit rating agency, downgraded the ratings on three big life assurers. Moody's said that it had also confirmed one rating and would continue its review of four others.

The Japanese life assurers are among the world's largest institutional investors, controlling some Y190,000bn (\$1,727bn) of assets. But the sharp downturn in the economy has inflicted considerable damage to their balance sheets as the value of their equity and loan portfolios

At current stockmarket levels, all companies except the market leader, Nippon Life, have unrealised losses on their equity portfolios.

Dai-ichi Mutual, Japan's second largest life insurance company was downgraded two notches from A1 to A3, while Meiji Mutual, the fourth largest, was downgraded from A1 to A2. "This was because the overall deterioration of Dai-ichi was more severe than Meiji, said Masaru Kakutani, repre sentative director of Moody's Tokyo Office.

Dai-ichi Mutual said: "We can't really comment since we don't koow what criteria was used for the review. But Dai-ichi will have absolutely no problem meeting its future payments to its

policyholders. Moody's said that its term credit outlook for the industry as a whole remained negative. Yesterday's downgrades, it explained, reflected its "analysis of the impact that a weakened capital base, low profitability and asset quality issues will have on the risk profiles for these life insurance companies".

try is also losing money in its core business, as falling Japanese government hond yields have left them unable to invest their assets to meet their liabilities. The eight industry leaders

The life insurance indus-

estimate that they will lose more than Y1,000bn on negative yields this financial Moody's also lowered Taiyo Mutual's rating from

A3 to Bas2, while Fukoku

Mutual's rating was con-

HK developer raises

HK\$2.32bn

By Louise Lucas in Hong Kong

firmed at A3.

New World Development, one of Hong Kong's biggest property developers, yesterday raised a net HK\$2.32bn (US\$299m) through a share placement to its largest shareholder, Chow Tai Fook Enterprises.

The company, which denied speculation it was seeking to tap the markets in November, placed 117m new shares at HK\$20.05

This represents a discount of 4.8 per cent to the closing price of HK\$20.95 before rading in the shares was suspended mid.

in the abbreviated day's trading, the stock gained

New World Development. which is planning to spin off its services activities in a separate listing later this year, said funds raised would be used for property development projects, including the payment of land premiums to the gov-

cement deal about 12 per cent. It has a

By Tony Tassell in Manila and Henry Tricks in Mexico City

Cemex, the highly rated Mexican cement manufacturer, took its second step into the Philippines yesterday with the acquisition of a leading local producer for \$400m.

The move is the latest in the region by multinationals. which have been attracted in the past 18 months by low asset prices amid the Asian economic crisis despite overcapacity. It puts the Philippines to the forefront of a regional shift of local cement capacity. One of the principal preda-

tors in Asia has been Cemex. whose purchase of Apo Cements from the Philippine conglomerate J.G. Summit Holdings follows the 1997 purchase of a 30 per cent stake of Rizal Cement. It has also branched into Indon-25 per cent of Semen Gresik. Hector Medina, Cemex chief financial officer, said there were "significant synergies" between Rizal and

attractive. The company planned to finance the acquisition partly from the proceeds of operations.

transaction meant more tion of risk in production. than 80 per cent of Philipthree multinational compa-

and Blue Circle. Apo, located in the Philip-

production capacity of 2m tonnes of clinker a year with a further 600,000 tonnes of capacity expected to be commissioned within six months. Under the deal, Cemex will

take on about \$100m of debt owed by Apo Cement.

Colbert Nocom, head of research at ING Barings, adviser to J.G. Summit in the sale, said Apo Cement tetched one of the highest prices per tonne of cement capacity in Asia.

He said this was due to the newness of the plant, which only started commercial operations in 1997, its high profitability with a low cost of production of about \$19 a tonne and access to limestone reserves.

The deal, however, comes at a time when the Philippine cement industry has been grappling with overcaesia, with plans to acquire pacity and falling prices.

Arthur Pineda, head of research at Abacus Securities, estimates the current overcapacity is about 30 per cent and prices have fallen by about 27 per cent over the Apo, which made investment

past year. in the Philippines more Paul Mackenzie, regional cement analyst with Credit Lyonnais Securities, said there were several reasons the sale of \$280m of assets in for the multinationals' inter-Spain, and partly from cash est in Asia. They saw Asia flow and international debt as offering better long-term prospects than their home Analysts said the Cemex markets and a diversifica-

He also said multinationpine's cement industry als saw the possibility of capacity was controlled by using Asia as a base for exports to the US and nies - Cemex, Holderbank Europe. "Under the current economics, it makes sense to export from Asia to the US pine island of Cebu, is the even after taking into country's largest cement account the costs of transplant with a market share of port and freight." he noted.

Acer share issue postponed again

By Mure Dickle in Taipei

makers, on Monday post-fully," poned a big international instability.

Philip Peng, senior vice-president of finance at Acer, said the issue of up to 200m shares in global depository receipts could go ahead in May at the earliest.

"Acer originally planned to make the issue last year but won approval to postpone it until this month in the hope that market conditions would improve. The Talwanese computer

and semiconductor giant said in December it expected the issue to go ahead this month, as the market had stabilised and investor confidence was returning.

for the export-dependent company, had prompted

Acer's board to think again.

index began 1999 with a 4 per cent plunge on the first day of trade, and fears for

the island's economic health have grown, Mr Peng said market worries and uncertainty over exchange rates, a key issue

market situation is not so Acer, one of the world's good, it would be difficult to biggest personal computer make the issue success-Acer, which late last year

share issue, blaming market slashed its profit forecast for turbulence and currency 1998 by nearly a third to T\$2.5bn (\$78m), planned to re-apply to issue the GDRs but was required to wait at doing so, Mr Peng said.

Gary Hsieh, vice-president of research at MasterLink Securities in Taipei, said the postponement would raise questions in the minds of Taiwanese investors about Acer's financial situation. but that the delay could also work to the company's

advantage. Acer's revenues had risen quite rapidly in recent months as its PC shipments soared while the company had largely stemmed the But Taiwan's main stock flow of losses from Acer Semiconductor Manufacturing, its troubled chip unit, Mr Hsieh said. There were also signs of a possible pick-up in D-Ram chip prices and the postponement of the GDR issue could allow Acer to push for a better price for its shares. "They may get a better deal," he said.

Mr Peng said Acer Semi-He said: "Two hundred conductor was expected to million shares is now equal break even in 1999.

Samsung sells 65% of AST at a loss

South Korea said yesterday the listing of the company. it was selling 65 per cent of AST, its unprofitable US personal computer subsidiary, to a group of US investors at a considerable loss. The deal, with investors

led by Beny Alagem, former chief executive of Packard Bell, will end an ill-fated effort by Samsung to establish a presence in the US computer retail market, Samsung will sell its stake in AST for \$12.5m, although it invested nearly \$600m in the company.

Samsung said the move was part of restructuring forcing Samsung to invest efforts to reduce debts and concentrate on profitable core businesses, including the production of memory chips and telecommunications equipment.

The US investor group will incorporate the computermaker as a new entity, AST Computer, and take over which will retain a 35 per market recognition.

cent stake in the joint venture. Samsung said it hoped Samsung Electronics of to recover capital gains on Samsung acquired a controlling stake in AST in 1994

for \$337m in an attempt to develop a US distribution network for its personal computers and secure a new buyer for its memory chips. But the purchase of the once leading US brand coincided with its shrinking market share. This was caused by delays in the develop-

ment of new models after its takeover of another US computer-maker, Tandy. AST has suffered large losses in the past few years. another \$170m in 1997 to acquire the remaining 54 per cent stake in AST and \$50m last year to improve its

workforce of 4,000. The US investors hope to revive AST's fortunes as a management from Samsung. brand name still has strong computer-maker, since its

to more than \$200m. As the financial structure. Samsung also cut 75 per cent of AST's

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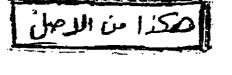
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Vanstar

has agreed to marge with

InaCom Corp.

\$133,000,000

LYC 'S

has acquired

WhoWhere?, Inc.

August 1998

(C) GartnerGroup \$1,635,000,000 Undisclosed ati blos asri.

\$493,000,000

PLATINUM

has agreed to acquire

MEMCO Software Ltd.

\$122,000,000

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has agreed to acquire

Open Solutions, Inc.

Pending

\$1,100,000,000 CHIRON Bayer (+)

\$1,006,000,000 **BankAmerica**

\$455,000,000

\$58,800,000

synopsys

Sprout Group

\$315,000,000

AIRCHILD

Undisclosed ^{nei}dynamics

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\$1,750,000,000

\$238,050,000

\$490,000,000 ASPECT

Zero Coupon Convertible

\$172,040,000

NEON

\$400,000,000 (C) GartnerGroup Unsecured Recapitalization

\$131,905,000

VERIO

initial Public Offering

\$50,000,000

\$15,000,000

\$400,000,000

\$129,400,000

LYC. S

Common Stock

\$45,500,000

PILOT

\$350,000,000

\$100,000,000

Revolving Credit Facility

\$41,400,000

Initial Public Offering

Common Stock

\$37,950,000

ACTUATE

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\$74,625,000

beyond com

\$33,500,000

\$63,300,000

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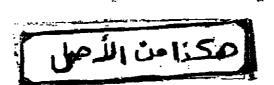
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Internet stocks continue surge on Wall St shares in New York Linternet stocks continued equity strategist at Legg Mason in Baltimore, said: "This is way overdone to \$88.07m, and that R*Trade could spend as by its growth in new much as \$500 on accordated by its growth

their unprecedented rally on an area where price targets Wall Street yesterday, as are completely out of the E*Trade, the largest specialist internet broker, that's become acceptable announced better results for the fourth quarter than ing. It's a momentum play." expected, while brokers He said that the market upgraded their forecasts for was discounting growth forecasts for 10 years into the America Online, the largest

internet service provider. Equity strategists were scale of the gains, which they said relied on the momentum behind the sector, rather than on their fundamentals.

For Goldman Sachs, the long

offering took another unex-

Jon Corzine, the man most

abandonment of the firm's

130-year partnership, is to

tive officer in favour of Hank

role with Mr Corzine since

two chief operating officers,

John Thornton and John

Thain, both of whom were

already viewed as potential

successors to the throne, and

Either way, more changes

are afoot, since the promo-

tion of Mr Thornton and Mr

set up a new management tion of its stock.

step down as co-chief execu-

pected twist yesterday.

Richard Cripps, chief by its growth in revenue, up

realm of the day-to-day, and because the stocks are ris-

E*Trade suffered a loss of alarmed, however, by the \$13.19m for the quarter, having made a profit of \$5.12m a year earlier.

However, its loss was considerably less than expected. and analysts were impressed

Twist to Goldman IPO

as Corzine steps down

se appointments and the

evolution of the governance

our management focus and

keep the firm on a solid

However, the timing is

precisely what has surprised

some onlookers. While Mr

window of opportunity", oth-

ers saw Goldman's current

firm cancelled its planned

initial public offering in Sep-

tember due to adverse mar-

ket conditions, which had

slashed the potential valua-

The company's commit-

according to people at the

The changes are also

company. Goldman has tra-

foundation to serve our cli-

execute our strategy."

and winding road to a public of the firm will strengthen

closely associated with the ents, develop our people and

Paulson, who has shared the Paulson described it as "a

The firm also appointed status as rather tricky. The

But it is unclear whether ment to pursuing the IPO

the new structure of the firm has not wavered publicly,

will remain in place until but the postponement has

the company goes public. proved unsettling internally,

Thain has marked them as likely to raise further ques-

the next leaders in a transi- tions over how the partner-

tion process now under way. ship's culture will change

staff: "The best time for ditionally been viewed as the

transition is during a period crème de la crème of Wall

In an internal memo, Mr once it becomes a public

The company had 676,000 accounts by the end of the quarter, more than double the figure for a year earlier. As a result, its shares gained 15 per cent in early

trading, up \$913 at \$777. Its share price at the end of last month, once adjusted for a stock split, was \$46급. Bill Burnham, electronic commerce analyst at Credit Suisse First Boston, estimated that each account was

costing E*Trade between

Mr Burnham estimated

\$300 and \$400 to acquire,

through heavy advertising.

best partly because it could

offer the unique kudos of a

Goldman Sachs partnership.

the firm has expanded -

there are 245 partners. And

the capital structure has also

become an issue, since lim-

ited partners withdrew capi-

tal after a bad year in 1994.

The near-unanimous

agreement among partners

to push ahead with the IPO

last summer was viewed as a

triumph for Mr Corzine, but

the unexpected timing of Mr

Corzine's partial withdrawal

is likely to fuel worries that

the split between those who

wanted to go public and

those who were reluctant to

Mr Paulson yesterday said

that disagreements over the

IPO had not been a factor in

the move. It is "absolutely not true" he said. "This firm

came together over the IPO."

been no change in the firm's

strategy of being the world's

premier independent invest-

ment bank and again ruled

out a mega-merger with

He also insisted there had

abandon the partnership has

not been healed.

But the partnership struc-

Its previous target, set in

over the lifetime of each

But he added that its share

stock realm". He said: "It's

not trading on fundamentals

any more. It will be much

more sensitive to internet

catalysts for the time being."

cent, up \$124 at \$157, follow-

ing an upgrade from Merrill

Lynch, which raised its 12-

to 18-month price target to

\$195 in recognition of the

company's mature business

another large financial insti-

management committee will

meet every Monday and a

new partnership committee

will oversee personnel devel-

opments. It is also charged

with preserving the culture

of the firm as it becomes a

Mr Corzine said he

thought the most important

task at hand was "effectively

leading this public offering".

Mr Paulson said: "We will

public company.

Goldman's new 15-strong

AOL shares gained 8.3 per

the largest internet retailer, gained more than 10 per cent at one point, and by mid-ses- e-commerce capabilities of price had "entered internet. sion stood at \$173%, up 8 per Compaq's Altavista search cent for the morning. It engine. started the year at \$1074. after a stock split was taken into account, and has logged gains in excess of 10 per cent for all bar one trading day so far this year.

> broadcasts video conferences 2-for-1 stock split vesterday. which helped push its share up 9 per cent and infoseel price up by more than 30 per

stock split.
Shares in Amazon.com, he largest internet retailer, ained more than a special property of the computer manufacturer. to buy Shopping.com for \$220m also buoyed the sector. The deal helps the

The news acted as a catalyst for rises in several other large internet stocks, even while the main market indices were down for the day. By midday, the largest inter-Broadcast.com, which net search engines had recorded double-digit gains, over the web, announced a with Excite up 13 per cent, Yahoo! up 12 per cent, Lycos

Revlon to cut up to 1,200 iobs

Revion, the New York-based

possible time when it's It added that it was "com-

> Revion's problems emerged last October when the US maker of ColorStay lipstick and Age Defying make-up warned that underlying third-quarter profits had collapsed because of

> plans to close three international plants, but declined to name them or say how many iobs would go.

packaging and new products. But yesterday it appeared that its efforts had backfired. Demand for its traditional condensed soups had slowed in the quarter ending this month, it said. As a result, earnings per share for the year to July were likely to be reduced by 18 cents to 23

By Richard Tomkins

pected soup sales.

expectations of \$2.13.

demand for condensed soups

in November and December,

in New York

By Richard Tomkins

cosmetics group, yesterday said it would cut up to 1,200 jobs from its worldwide workforce of 14,000 in response to weak demand for its products and flagging

It said the job cuts and other restructuring efforts would result in charges of up to \$80m, of which \$40m would fall in the quarter just ended and the rest this

The moves were expected to produce cost savings of \$15m-\$20m this year, it said, rising to \$30m-\$40m in the longer term.

fortable" with analysts' cope with the dual pressures earnings estimates of \$1.55 per share this year before of the transition towards public status and what were restructuring charges. widely considered the worst

ness and performance has held up well. But as one poor sales.

It blamed a number of factors, including weak demand in international markets and cuts in purchasing by big US drug store chains, which had been cutting inventories following a wave of mergers.

At the time, it announced gramme, is combined with separate programmes for

> Yesterday it said it was restructure the company which would result in job cuts in the US and overseas

company lifted earnings impressively by cutting costs, selling underperforming businesses and raising Shares in Campbell Soup prices. Dale Morrison, his tumbled 12 per cent to \$45;2 successor, has tried to build in early afternoon trading on this by increasing volyesterday after the company umes, but the soup market is warned that profits had been mature and growth elusive.

badly hit by lower-than-ex-Erika Gritman Long, analyst at J.P. Morgan, said: Campbell has recently They had strong probeen trying to increase soup grammes this fiscal year in sales by investing heavily in terms of merchandising. advertising, marketing. marketing, packaging and new products, and they ari still not getting the kind of growth they would like."

John McMillin, at Pruden. tial Securities, drew a paral. lel with Gerber Products, a baby-food company that Mr Johnson streamlined but that was also unable to deliver significant volume cents, leaving them about 10 growth after he left. The per cent below analysts' company was taken over by Sandoz of Switzerland. Campbell blamed the poor

"Now the question is whether the same thing will on the unusually warm happen twice and bring a weather in much of the US happy ending for Campbell's shareholders as well," Mr though analysts said it could McMillin said. Campbell is 45 per cent

signify deeper-seated difficulowned by the Dorrance fam-Under David Johnson, former chief executive, the

NEWS DIGEST

MINT FOR SA

FOREST PRODUCTS

Tembec buys Canadian pulp group in C\$70m deal

Tembec, the Canadian integrated forest products company, yesterday acquired Crestbrook, a British Columbia pulp producer, in an agreed C\$70m (US\$46.4m) cash and shares deal. Analysts have been anticipating further mergers in the fragmented Canadian pulp sector, but depressed pulp prices have left few attractive takeover targets and little cash in the hands of potential buyers.

Yesterday's deal contains an unusual clause which entities Crestbrook shareholders to an additional one-off payment of up to C\$1.50 per share in 2000 if the average price for NBSK pulp exceeds US\$549 per tonne. The current price is about US\$500 per tonne.

Crestbrook shares rose 75 cents to C\$4.50 in midday trading yesterday, while Tembec shares fell 30 cents to C\$8.45. Edward Alden, Toronto

RETAIL

Wal-Mart appointment

moted H. Lee Scott to vice chairman and chief operating officer, apparently putting him line to become the company's chief executive when David Glass, 63, retires.

Mr Scott, 49, had been president and chief executive of the group's discount stores. Richard Tornkins, New York

Smart-card group plans move to US

Chip Application Techsmart cards, is planning to also in negotiation with sevmove its business to the US eral large US companies to take advantage of the which it expects to invest in much wider market for the business and license its smart cards in north Amer- smart-card software.

Australian stock exchange

iary, which will eventually

CAT said it was likely to CAT, which floated on the generate more of its revenues over the next 10 years 18 months ago, is proposing from north America than that existing shareholders from any other world marshould swap their shares for ket. It also argued that the and businesses best under-

executive, said: "The combe a very significant player pass in western Sydney. in the international multi-application smart-card business, and if it is to succeed, it must be where the action is and where government, a terminal. the investment community

was "rapidly being Ameri- cally, a large multi-bank canised, with most of the experiment with stored-The company, which was leading international stan-value cards in New York nologies, an Australian previously known as Card dard setting companies recently ended with very low technology is the ability to developer of stored-value Technologies Australia is being based in America." David Mac Smith, chief launched one of the first the same card - or indeed in pany has the opportunity to field with the Transcard bus

> The card is contactless, which means it works much faster than cards which have to be swiped or inserted into

The bus pass, which carries a loyalty bonus pro- card.

local retailers. The centre of the CAT

move forward at the earliest

In fact, despite having to

market conditions for 50

vears last autumn, its busi-

senior banker said: "Td love

to think that it's all over for

Goldman. But they'll get it

together, they always do."

appropriate."

financial successes in the a chip inside a wristwatch, since the company has partnered Swatch of Switzerland in electronic ticketing

This system is reported to have been selected by one of the five largest US banks for its multi-application loyalty



ETBA Finance

ANNOUNCEMENT FIRST INTERNATIONAL PUBLIC TENDER FOR SALE OF THE ASSETS OF "HELLENIC TARTARIC ADVANCED TECHNOLOGY INDUSTRY S.A." Known as "HELLENIC TARTARIC" THELLETER FAMILE ANY PRIVATE ANY PRIVATE AND THE ANY PRIVATE STATE OF THE PRIVATE ECONOMIC & FRANCIAL SERVICES S.A., established in Athena (1 Englosthenous & Vas. Constantinou Sta.), lot us capacity as special liquidator, by virus of Decision No. 293/1996 of the Nedpion Court of Appeal, of the above company which is in special liquidation as per article 45s of Law 1892/1990, as supplemented by article 14 of Law 2000/1991 as currently in force

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persent parties are invited to submit a seeled, binding offer to the Cechalia notary public assigned to the tender 1. Martigoula A. Axiotopoutiou at Melligala, Measthia tel. (30724) 23433 by 12 moon on Monday, 8° February 1999.

Name Service A. Axiologouslou at Ineligate, Measthrise tel. (30724) 23432 by 12 moon on Monday, & February 1999.

Offices must be submitted in person or by a logally authorised representative. Officin submitted beyond the time limit will not be accepted or taken into consideration. Officin small not consideration of the same state of the sequences with regard to the emount or the method of payment of the officing doctor of the sequences, with regard to any other assemble points, terms and acceptions, independently of whether these are higher than other officing, of their points, terms and acceptions, independently of whether these are higher than other officing, or consider them to be non-contained, in which case the offer remains binding with regard to the rest of the content.

Cities must be accompanied, on penalty of contention of the offer than the rest of the content.

Offices must be accompanied, on penalty of conceillation of the offic; by a letter of guerantee from a first class bank legalty operating in Greica, to the amount of one hundred million chacteries (GDR 100,000,000) as per spectrom contained in the Offening, improvements made to it,

improvements made to it.

The offers will be opened by the above-mentioned notary in her office at 14:00 hours on Monday, 8° February 1989, Interested parties with have submitted binding offers within the first are entitled to attend the opening of the offset. The seeled, binding offers must specifically state the offered enround, in what currency and the method of payment (whether in cash or ori credit), in the event that payment is to be on credit the offer must state the number of inscharacts, when they are to be paid and the interest rate outling the entire period up to final settlement. It mention is disclaimants, when they are to be paid and the interest will been interest on ci) the rate of interest of the currency of the offered price, then it is not consigned up deemed that a) the amount will be paid in cash, b) the belance on credit will not bear interest, c) the rate of interest rate of the talest sever of state bonds of one year's cluration, and d) the currency whell he in discharace.

currency shall be in directories.

The factory is obsered for any kind of production that the purchaser may choose, in any event, however, the purchaser must at his own expense and care, see to the corresponding lessing of the necessary work permit.

In this event of part psyment on credit, the present value will be taken into account, which will be calculated with the interest rate of it has been of state bonds of one year's duration. If the offer is made in torong, currency, for its convention into drachmas, the finding price of the Bank of Greece on the final day for the submittesion of offers to the present lender will be used.

this foling price of the Bank of Greece on the linest day for the submission of offers to the present lander will be used.

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the Interested party is fully aware of the legal and actual state of the objects for sale.

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12. The liquidator and the creditors bear no responsibility breards participants in the tender, both with regard to the report assessing the other, to their proposal of the highest bidder, to their decision to repeat the tender, both with regard to the regard sections of the tender.

takes concerning the processor and expension of the period.

Those parties taking part in the tender and submitting offers do not acquire any right, claim or demand from the press

Announcement and from their participation in the tender, against the Equidator or the creditors for any cause or recoon. Announcement and from their participation in the tention, against the Squidator or the creditory for any cause or reason.

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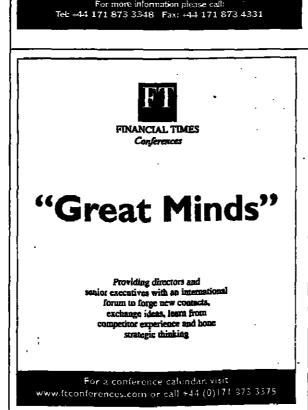
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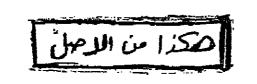
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NOTICE

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hereby notifies those concerned that the

tender submission deadline of 15 January, 1999

stipulated in the Invitation to Tender for the lodging of bids for 95.25% of the shares of

Konzumbank Ltd

has been modified by it pursuant to its right set forth in Section 4. of Chapter VII. of the Invitation to Tender.

The new submission deadline is 15 February, 1999,

The other provisions of the Invitation to Tender remain unchanged. The Invitation to Tender may be obtained at the reception desk of the Hungarian Development Bank Ltd ("MFB Rt."). The Information Memorandum may be purchased upon preliminary notice by potential bidders between 4 and 29 January, 1999. Further information concerning the Invitation to Tender may be obtained from Dr Rudolf Petendi, Director (36-1-428-1576).

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ntial intermation Memorandum will be suppried to applicants who satisty the above criteria, together with detaits of the crocedure and innetable to be followed in Phase L

The recinients of the Information Alemorandum should note that the Phase I timetable calls for indicative non-bunding offers to be submitted by mail and/or lax by 5.00 p.m. London time on February 8, 1999 to the following address

COMMERCIAL BANK OF GREECE S.A. GO MORGAN GLIARANTY TRUST COMPANY OF NEW YORK

Fex: 0044171 325 8361

description of the sources and of the time of availability of the relevant hunds to finance the payment of the punchase price, any material condutions to which a definitive proposal would be subject, including any approveds required to secure financing as well

(viii) the names of external advasers engaged, or anticipated to be engaged, on behalf of the interested purchases, regarding the sale transaction, and
(viii) confirmation that the interested purchaser is acting for its own account and not as a broker or agent of their parkes.

rius to risks; by the parties who participated in Phase I and submitted non binding offers, within the scope of the applicable sale procedure. This lavitation will make available the timetable for and details pertaining to the completion of the sale and the procedure for submitting.

Please note that parties who did not participate in Phase I will not be eligible to participate in Phase II.

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As of Jene 30, 1996 kinlants distribution network included 222 branches in Greece, 276 ATMs, 15 "Smart Banks" and 2 overcess branches. Ionian also operates in some limited non-benking areas Brough its subsidiaries longan Hotel Enterprises and Ionian Education.

they hold a currently valid heriting license in Greece or in another European Union member-state or in a finite country with expendent supervisory requirements to those of the European Union for the levelal operation of banking institutions, or they hold a current state of all lass! 30% in a finite country with expension of banking institutions, or they hold a current state of all lass! 30% in a financial institution holding a banking license satisfying criterion (a) above, or they are able to prove. To the satisfaction of the Company, through bank reterences from banks satisfying criterion (a) above, or by any other means acceptable to the Company, after consoliation with the financial advisor, that the applicant is in a position to lawfully pay in full the purchase price tor the 51% of the shares of lonian.

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Such indicative, non-blading, offers should incinate: the value in Greek Drashmas, that the interested purchaser is prepared to pay for the 51% state in longer, as described in the

(ii) the principal assumptions on which the bid proposal is based. any additional significant imbornation and the questions that would need to be answered in order to enable the interested pondrases to complete the preparation to make a delimitive binding proposal.

as any necessary board or regulatory authorities approveds, together with an indication of the timestole for obtaining such approveds, the current plans with respect to the future development of lorder.

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CONTRACTS & TIMBERS

2;

PDFM presses Mirror to resume talks

The largest shareholder in Mirror Group, the national and regional newspaper owner, is to press for a yesterday afternoon to disresumption of merger talks with Trinity that would cre- on the terms of a possible ate a newspaper publisher merger. with a market value of £1.3bn.(\$2.2bn)

Phillips & Drew Fund Management, which holds thought to be seeking cost 19.2 per cent of Mirror savings of at least an annual Group, and was active in £10m through efficiencies, encouraging talks between and want a deal giving a prethe two companies, is seek- mium to Mirror's share ing a meeting with Mirror's price.

PDFM's move comes after Trinity called off discussions with Mirror at the weekend. Trinity's directors think that Mirror's board, which met cuss the issues, are divided

Mirror's executive directors, led by David Montgomery, its chief executive, are

would take only a limited role in the merged entity. to continue on the basis It wanted him to be an executive director for editorial policy at national titles.

the merged group, while executive, took that role. John Allwood from Mirror would have been deputy chief executive.

PDFM was instrumental in restart its talks with Trinity Trinity were acceptable in However, PDFM is thought advertising downturn.

year. It now wants the talks suggested by Trinity.

Supporters of the merger

argue that it would produce a more solid and less heavi-It proposed that Sir Victor ly-geared company than Mir-Blank, Mirror's chairman, be ror, with the growing non-executive chairman of regional newspaper operations outweighing the Philip Graf, Trinity's chief mature although cash-generative national newspaper

> Mirror's directors insist step aside as chief executive.

sticking point was its insis- in November, after they other ways. However, they not to regard this as a deal-tence that Mr Montgomery were called off in spring last believe it did not offer suit- breaking issue. Mirror's shares have able terms in talks last

> Some Mirror executives argue that Mr Montgomery should have a prominent role in implementing the merger because he has a record of cost-cutting and finding operational savings. They believe Trinity might

not be aggressive enough. Mirror executives also believe the company's shareholders should gain 60 per shares peaked at 571%p last that Mr Montgomery would cent of a merged entity rather than the 55 per cent is encouraging Mirror to if the terms of a deal with one proposed valuation. 25 per cent on fears of an

under-performed the FTSE All Share by 33 per cent since they peaked at 2484p last May following the disclosure that Axel Springer, the German publisher, might take over the British com-

Mirror's shares closed up at 166p yesterday, while those of Trinity closed 1% down at 428%. Trinity's year, but have since underperformed the All Share by

become a low cost producer

viding customers with a

wider product offering based

reserves, better levels of

research and product devel-

opment and high standards

If successful, the bid,

which is being funded by

deht would raise Imétal's

cent to 120 per cent.

of service.

COMMENT

English China Clays

France's Imétal is kind to put English China Clays English China Clays out of State price relative to the FTSE AU-State Index its misery. Once a proud FTSE 100 member, ECC's 86 per cent underperformance over 10 years means few shareholders will mourn its passing. Although the 225p per share cash offer represents a socking 41 per cent premium to Friday's close. the French building materials company, remarkably, is not yet overpaying. Assuming Imétal's aim is to boost its market share in clays, the

sale of ECC's specialty chemicals seems likely. At a little under twice sales, it could

fetch £300m (\$504m) from, say, Hercules of the US or BASE

Netting this off against ECC's current enterprise value means imétal will acquire the clays business for £550m, an undemanding six times 1999 operating profits. Throw in £10m-£15m annual cost savings and Imétal is well placed to make an excellent return on its investment, and in short order too. With taxed operating profits including synergies of around £75m, a return on investment of over 13 per cent is on the cards.

It is no surprise, then, that ECC's shares have settled above the offer price. Imétal can clearly afford to add at least another 25p to its offer, which would still leave respectable returns on investment. Since counterbidders are a real threat at this price, Imétal may well have to be pre-emptively generous to clinch the deal.

Tomkins

Greg Hutchings, Tomkins chairman, is having an embargearing from about 20 per rassing year. He is not the first to be made to look silly by a politician on a competition issue. But since he keeps remind although the group believes ing us of his long and creditable record, he ought to have it would drop to 70 per cent known better. The result is that the company will probable report its first drop in annual pre-tax profits in his 15-yer.

Tomkins is limiting the damage from manufacturing dol drums on both sides of the Atlantic, but any excitement will depend on corporate activity. It could spend £1bn on acquisitions and still have interest cover above six times. in the absence of deals, share buy-backs remain on the agenda: After all, they do help rescue earnings per share growth. A prospective net yield above 6 per cent makes Tomkins look cheap, but investors need something more to turn them on.

Enterprise Oil merger threat

By Robert Corzine

The prospect of a merger between the UK's two biggest oil explorers was under threat last night after a mostly negative reaction a poison pill to deter other from investors and analysts.

Pierre Jungels, chief executive of Enterprise Oil, said the poor response to the news of merger talks will "make it very difficult" to reach an agreement with starting with a negative per- steady erosion of investor

link-up. Mr Jungels acknowledged were generally negative. But consistency of returns that he said there will be "one or were sustainable in a low oil,

27123

0.25

(0.61) (13.66) (13.34)

(1.44) (5.8L)

16.19

two more meetings" with price environment.

Apr 9 Apr 6 Apr 1 Apr 22 Mar 31 Feb 9

Lasmo to determine whethera deal is still possible. Lasmosaid the process would take "some weeks".

Mr Jungels said the merger was not intended companies from launching a hostile hid for Enterprise "The two companies are with nerable on their own and would still be vulnerable if

they were combined." Instead, the merger initia Lasmo, as the market is tive was a response to a ception of the proposed interest in the oil exploration and production sector. He said there was a need to that soundings taken yester- create a new type of off day among Enterprise's exploration and productions: institutional shareholders company, that would have a

3.25 3.5832

0.55

2.8956

ECC receives unsolicited £680m French offer

English China Clavs, the UK industrial minerals and speciality chemicals company, yesterday received an unsolicited £680m (\$1.14bn) cash offer from Imétal, its French

The 2250-a-share bid was promptly rejected by ECC's board, which said the offer "fails by a wide margin to reflect the value of the company's business and pros-

The shares responded by

them "to jointly fulfil our

vision of becoming the

world's leading international

That vision has been a

well-kept secret. The indus-

try had been expecting a

deal that involved the inter-

BAT or Rothmans could

afford to let the other get

hold of that business, said

Jonathan Fell, tobacco ana-

lyst at Merrill Lynch. "The obvious solution was to get

"It makes cost-cutting easier,

and enhances the brands." said David Adelman of

tion, BAT is not paying a

The deal, which values the

Analysts praised

together instead."

Broughton, BAT chairman.

cent to 242%p, a rise of 82%p. With the shares rising above the offer price, analysts believed Imétal would be forced to offer more, but added that the chances of a rival bidder emerging were

Patrick Kron, Imétal's chief executive, said the group approached ECC last week in an attempt to secure

agreement for its plans. When ECC said its board would not be able to consider the move until next week's board meeting, Mr jumping more than 50 per Kron decided to go hostile by

David Blackwell profiles the BAT-Rothmans deal and how it was

structured so that both parties would benefit from the transaction

rewards. Johann Rupert of

Rothmans said he supported

markets and further acquisi-

tions and had rejected cash

brandt, the Rupert family's

cent in ordinary shares and

The balance will be compul-

Morgan Stanley. "In addi- sortly redeemable at 675p 26.9 to 26 per cent.

after five years.

in favour of equity.

A clear vision emerges

tobacco group," says Martin growth, investment in new

national cigarette business twin vehicles, will hold 35

of RJR Nabisco. Neither per cent of the enlarged

merger as a "win-win" deal. on sale to any third party.

from the tobacco smoke

shareholders. He said he refused to wait "in order to avoid undue speculation". Imetal claimed ECC had disappointed shareholders. The stock, which has underperformed the FTSE All-

Share index for five years,

has fallen steadily from 450p

five years ago and hit a low

of 142.5p in September. Dennis Rediker, ECC's chief executive, said Imétal's attack focused on the past. "However, since 1996 we've had a fairly rigorous

ten off could be even more

The pro forma balance

the future." The price Imetal is offer-

ing represents a 41 per cent premium to last Friday's close. However, analysts said Imétal would have to raise its offer to at least 250p to win control. Nick Hatch, an analyst at

Plemings, said: "It's a sensible opening shot, but it's not generous enough. The company is on the verge of benefitting from restructurings and cost-cuttings."

Andrew Mitchell, an analyst at Merrill Lynch, said:

putting the offer directly to holder value and growth in "It's fairly punchy but it's not extravagant." The offer values ECC on 11 times his in the industry, while proforecast of 20.2p per share of earnings in 1998

Mr Kron said he believed on a broader base of the bid would generate sales growth and would allow savings through rationalisa-

He declined to specify how many jobs would be lost but most cuts are expected to fall in the US. Few cuts are expected in Britain, where half of ECC's 6,500-strong workforce is based.

Mr Kron said: "We believe

The BAT/Rothmans merge nternational brand portfolio State Express 555 **Rothmans** Durchill Locky Strike AT and Rothmans International believe that been structured so both merging will enable sides can share in the goodwill to be written off over the next 20 years will be £5bn. knocking about Kent Viceroy Pall Mail £250m a year from the profit and loss account. Goodwill BAT's vision of organic will move in line with the share price, so the total writthan £5bn by the time the deal is completed, Mr Therefore the dividend will be based on earnings excluding the amortisation ted to be enhanced by the 10 per cent in convertible deal. BAT's final dividend preference shares. There is a for 1998 will be 16p, and standstill agreement to limit there will be a 4p first their voting interest to 25 interim dividend to compen-

gives scale and flexibility able for cash at 575p a year six times, compared with 5.2 after the deal is completed. for BAT at the end of Decemmanaging director, and Rupert, chief executive of ber 1997. Gearing eases from The executive board negative net assets, the total chairman, Ulrich Herter as managing director. Mr

Keith Dunt as finance direc- Richemont and chairman of ard Brothers and Goldman tor. However, Bill Ryan. Rembrandt, and Jan du Ples- Sachs International, Richechief executive of Rothmans, sis, finance director of Riche mont by Warburg Dillon Because Rothmans has retains Mr Broughton as will join the board as deputy mont, also join the board as Read and Rembrandt by SG non-executive directors.

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Description ____ Yr to Sept 30 67.6

...... 6 noths to Nov 28

RESULTS

BAT was advised by Laz-

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LEGAL NOTICES

Richemont and Rem- Broughton said yesterday.

group, made up of 25 per of goodwill, which are expec

per cent. The convertibles sate for the different year-

will become ordinary shares ends of the merged groups.

Up to half will be redeem- sheet shows interest cover of

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DISTRICT OF DELAWARE In re
SGL CARBON CTRPORATION,
Tas Id. No. 13-0799673
1/4/45
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Chapter 11 Case No. 98-2779 (307)

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restrictly for Princh of performance where such threath green foe to a right to payment, whether or not such right to any equitable remedy is reduced to judgment, flucked, commander. International matures, undergood, are observed, or unsequent.

Definition of "Allegeal Graphine Electricies Admined Claims" means all Claims asserted or capable of being asserted parament to (ii) Sections 4 and 16 of the status commonly is nown as the Clayton Act, 15 U.S.C. 49 15 & 26, for allegeal injuries element to have resulted from alleged violences by the Debtor of Section 1 of the status commands known as the Storettan Act, 15 U.S.C. 31, or (ii) any other federal, state or torigin antariest, under competitions, under practice by, status, regulations, trade practice or continuous and the Urited States or any state or territory of the United States of any other contains, state, province, principality or other forms or jurisdiction.

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(1) Claims by the United States Department of Justice art-ing out of the assistent issuestigation into alleged price itizing in the prophic electricis individe;

(1) Claims asserted against the Debut prior to the Petition Date in any judicial action or proceeding, provided, hostogree that not withstanding the petiterality of the Invergoing, such everphent shall not include Alleged Graphine Electrodes Autorises Column, and Itali Claims allowed by an order of the Cant cancerd on or before the Bar Dane.

Claims by employees for accuract sugges, valaries, needical insurance, such pay, such love, long-acen disability, vacation benefits, and other employee benefits, carned in the confidence of the Debut'de Debut'de Debut'de Debut'de Alleged Alleged Claims, and the cartesian straing under vortices 503, 547(arth, 507b), 307a, 307a, 307a, 507a, 507a

ANY PROOF OF CLAIM FOR A CLAIM WHICH IS SUBJECT TO THE BAR DATE. AND WHICH IS FILED AFTER THE BAR DATE. SHALL BE DESALLOWED. ANY PERSON OR ENTITY THAT IS REQUIRED TO FILE A PROOF OF CLAIM AND THAT FAILS TO DO SO BY 4-80 P.M. EASTERN STANDARD TIME ON THE BAR DATE SHALL BE FOREVER BARRED FROM FULNG OR ASSERTING SUCE CLAIM ACADEST THE DEBTOR, AND FROM BEING TREATED AS A CREDITOR FOR PURPOSES OF DISTRIBUTION UNDER ANY PLAN OF REORGANIZATION.

PESTRUCTIONS FOR PILING A PROOF OF CLARIA:

If you have a Claim and do not fit within the description set forth above, you must fit a proof of Claim. You should include all Chaims against the Debut within a clave (proofly, security, successing, etc.) on a single proof of Claim forth. The proof of Claim must be filed such that it is actually received by the Debut's Copin approved Chains, processing Standard Team on the Bar Date. Proofs of Claim must be filed by mail or in pursua at:

If delivered by U.S. mail, then: SGL CARBON Corporation Claim, Processing on Bankingkey Services LLC P.O. Box 5112 F.D.R. Station New York, NY 10150

If delivered by hand (between the hours of 9 00 a.m. and 4:00 p.m.(New York time) ton hashress days) or by overnight counce (on backness days), then:
SG, CARBON Corporation Chairs Processing
oth Barknessy Service: U.C.
70 East 55th Street - 6th Floor New York, NY 10072

PROOFS OF CLAIM WILL BE DEEMED FILED ONLY WHEN ACTUALLY RECEIVED BY THE DEBTOR'S CLAIMS PROCESSOR. Do not file a rib, or send copies of Claim in, the Debtor or the Debtor's control. To receive an advance ledgmon that your proof of Claim has been received by the Cloth and filed, you many provale due additional copy, and a protage point, self-additional copy and a protage point, self-additional copy of a proof of claim form, and the Bor Dae Order. You many obtains a copy of a proof of claim form, and the Bor Dae Order and information regarding the status of your claim by contacting BS at 1213 376-8494. All interested partles are relief to the Barburgas y Code and Bankingas y Rules for additional information regarding the filling and leasthcate of proofs of Claim and visuals contact with their won legal advisors.

BY ORDER OF THE COURT

No. 807127 of 1998 IN THE HIGH COURT OF JUSTICE

IN THE MATTER OF WORTH RACING LIMITED - spd -IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Pension was on 11 December 1998 presented to Her Mejesty's High Court of lastice for the confirmation of the reduction of short capital of the above amond Complany in the sum of £16,000,000 from \$58,803,000 to £40,803,000 by cancelling and extinguishing 16,000,000 Certinary Shares of £1 sech. Shares of £1 each.
NOTICE IS PURTHER GIVEN that the

said Petitum is directed to be held before the Register of the Companies Court at the Royal Courts of Instice. Surfact, London, WCIA 2LL on 20 Japany 1999. ANY conference thresholder of the and Counsel for the purpose. A copy of the said Pennion will be furn

to any such person to quantum the contract of the product of the product of the product of the regulated charge for the same.

DATED this 12 day of January 1999

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U.427 (0.061) 4.034 (3.434) 78.9 (88.6) 0.64 (0.51) 8.28 (12.3L) 1.224 (1.074) 1.839 (1.19) 0.256 (0.05L) 180.14 (214.9) 3.82 (2.85) Tr to Oct 31 1,906 (1,854) - I'r to Sept 30 3,46 (3,18) - I'r to Sept 30 11 (10,9) - Yr to Oct 2 57.6 (55.6) - Yr to Oct 31 3,56 (5.2) - I'r to Oct 31 2,603 (2,458) - I'r to Sept 30 22.1 (14.1) 1.76 2.6 2.31 11.54 1.79 7.74 (2.22) (7.73) (0.491.) (10.39±) (7.53)

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8 15.01.1999 Principal Paying Agent: Chase Manhettan Bank Luxembourg S.A.

The Shares are traded ex-dividend as from January 8, 1999.

The sources are traded ex-dividend as from January 8, 1999.

Holders of hearer Starts (Class A shares which are not listed at the Lassambourg Spock Brotisnes) in Tempiron Deutsche Mark Global Growth Fund, Tempiron Deutsche Mark Global Growth Fund, Tempiron Deutsche Mark Global Growth Fund, or Tempison Deutsche Mark Emerging Markets Fund Income Fund are invited to present their certificance to CHASE MANNIATTAN BANK LUBEMBOURG S.A., 5, me Plaetis, L-2338 Lusenbourg, between January 4, 1999 and Markot 31, 1999, for amendment. This procedure does not apply to Class A shares which are held in global form and are listed on the Lungambourg Stock Enchange.

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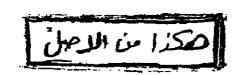
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Wall Street and dollar offer no support

EUROPEAN OVERVIEW By Vincent Baland maintain interest, but buyers withdrew in the after- to ABN Amro. European stock markets noon and stocks generally closed lower yesterday after fell by about 1.5 per cent in receiving no support from the main markets, although either US shares or the dol- there were individual outperlar, which bounced back a formers and selective inter-

little from its lowest levels est in defensive sectors. against the yen, but remained vulnerable to fur- the first trading days of the

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FTSE EUROTOP 300

This has been a theme of euro, which has seen a con-Bourses had begun centration of activity in the

FTSE Eurotop 300 FISE Eurolog 100 FISE Euroc 100

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brightly enough, and there biggest companies across the "These are all characterised was more merger activity to euro-zone by defensive- by stocks large enough to was the tobacco sector, minded investors, according top the size range in most market indices.'

"With earnings estimates under pressure around the index of Europe's leading world, investors have been stocks fell 18.18 to 1,235.14 searching out defensive sectors and stocks hence the Eurotop 100 index fell 46.11 rotation into areas such as to 2.862.92. telecoms, pharmaceuticals and financials," the bank said in its latest strategy

FTSE Actuaries Share Indices

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yesterday, while the FTSE

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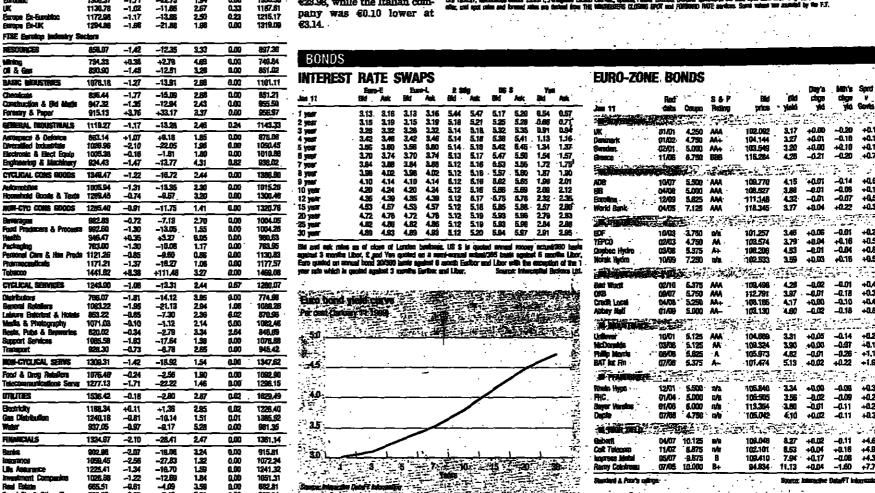
1271.93 1028.31 1063.38 1225.69 1275.41 1289.53

which rose 8.4 per cent after the takeover of Rothmans by BAT Industries, Richemont the company that controls Rothmans, jumped £159.40 to €1540.09, while BAT, which is paying £5.28bn for the acquisition, rose €1.20 to

against the predominantly products, which climbed 3.8 per cent. SCA and UPM-Kymmene both added €0.70 to close at €19.90 and €25.62 respectively.

In a weaker auto sector, Volvo slumped amid disap pointment that its talks with Fiat might not lead to a disposal of its car division. The Swedish group's A and B shares each fell €1.20 to end respectively at €23.49 and €23.98, while the Italian company was €0.10 lower at

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STRONG RISE IN 1998 SALES: +16.2%

Valeo's 1998 consolidated sales totaled FFr 39.5 billion (6 billion euros) against FFr 33.9 billion (5.1 billion euros) in 1997, up by 16.2%. This figure includes, for the 4th quarter 1998, sales of the recently acquired activities of ITT and excludes the FFr 400 million in 1998 sales generated by the recently disposed of display and fuel tank caps activities.

Annualized sales, based on the Group's reporting entity at December 31st 1998, stood at FFr 47.6 billion (7.3 billion euros). This represents an average annual growth rate of 19% over the past five years.

Europe accounts for 65% of annualized sales, North America 28% and the rest of the world 7%.

1998 was a year in which Valeo once again largely outperformed the automotive market. The Group intends to pursue its profitable growth strategy in 1999.

Valeo will announce its estimated results for 1998 on January 21st 1999.



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First Dominion Funding I **LEGAL NOTICES** ALDER VALLEY ENGINEERING LIMITED HAMPSHEE TRANSPORT LIMITED CIRRUS TRAVEL LIMITED Q DRIVE MANAGEMENT LIMITED EUROBUS UK LIMITED Q DRIVE HOLDINGS LIMITED

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US Treasuries drag Europe lower

BENCHMARK BONDS By Arkady Ostrovsky in London and Richard Waters in New York

tumbled yesterday and dragged the European markets down as the dollar fell to its lowest against the Japanese yen in more than two

The dollar fell below Y110. its lowest in 28 months, causing the 30-year US Treasury to drop more than a from bonds to equities. point in early trading. By early afternoon in New at the end of last week.

from European investors. ground against the euro. The which are looking very long bond's latest retreat. pushing the yield to 5.296 ner said. cent, took the increase in yield so far this year to about 25 basis points.

growing at a healthy rate, slow-down, many investors are reported to be switching

Phyllis Reed at Barclays Capital said the yield gap York, the dollar stood at between equities and bonds Y108.5, down from over Y111 was widening and the real yield on 10-year US Trea- per cent.

However, the rise in US suries was 100 basis points bond yields in recent days higher than the earnings has drawn some interest yield on the S&P 500 index. "Investors are looking for helping the dollar to gain a trigger to buy bonds,

The 30-year bond lost more than 100 basis points in early trading, although it had With the US economy still recovered some of those losses by early afternoon defying expectations of a and was trading at 99%, a loss of 县 on the day.

cheap against equities," she

Ten-year notes, meanwhile, fell ¼ to 981, pushing the yield up to 4.903 per cent. Among shorter-dated issues, two-year notes were down 🛓 at 99%, for a yield of 4.742

Bank said that the sell-off in the US Treasury market had also been prompted by rising yields in the Japanese bond market, making JGBs more attractive for domestic inves-

The yield on the benchmark 10-year JGB rose by 8 basis points to 1.75 per cent, reflecting fears about oversupply of JGBs. The shift downwards in

JGB prices added to recent speculation that Japanese institutions were liquidating some of their holdings of US securities. European government

bond markets also lost some of last week's gains, which of 1998.

David Knott at Deutsche had been inspired by eurorelated euphoria. Germany's 10-year bund future fell by almost a point. from 116.82 to 115.98.

Analysts said investors ignored weak economic data released yesterday showing manufacturing orders in November falling 1.5 per cent from October and 2 per cent year-on-year.

However, despite the

weakness in European mar-

kets, they still significantly outperformed US Treasuries. The US Treasury market now yields 113 basis points more than the German bund market, compared with 82 hasis points more at the end

electricity **futures**

By Vincent Boland

Deutsche Börse, operator of the Frankfurt stock exchange, is to begin trading electricity futures contracts this year and hopes to have an energy exchange in place by the end of 1999.

The bourse said yesterday the decision to begin exchange-based trading in electricity futures had been prompted by the rapid development of a spot market in electricity among German utilities, which have begun setting up their own electricity trading arms.

These moves are in response to the gradual liberalisation of Germany's electricity market, the largest in Europe. They also mirror similar developments in other European countries, and Deutsche Börse said the setting up of the energy exchange would "make an important contribution" to the opening up of the country's electricity market.

In the UK, a pool system is used to trade in electricity following the sector's privatisation, but the electricity regulator is also making arrangements for trading in

futures and spot contracts. Deutsche Börse said estimates had put the potential economic benefits of liberalising Germany's electricity market at "several billion euros" annually, mainly from cost reductions.

"Commercial customers will be the first to benefit from the price cuts, then to an increasing degree private

The Philippines will next customers," it added. The creation of an electricity futures market is the latest development in the sector in Germany, where the new government is seeking to phase out the country's nuclear power industry.

Frankfurt Derivatives to trade in volumes up 10% in 1998

By Vincent Boland in London and Gwen Robinson in Sydney

The volume of futures and options contracts traded on the world's derivatives exchanges rose 10 per cent last year to 2.2bn as all the main markets except London's recorded impressive growth in business.

The biggest increase was recorded by Eurex, the German-Swiss exchange that succeeded the Deutsche Terminbörse and Soffex. Eurex saw trading volume increase by nearly 61 per cent as it overtook the London International Financial Futures and Options Exchange to become the world's second biggest derivatives market.

Liffe slipped to fifth in the league of top markets as trading volume fell 7.2 per cent, according to data from Futures & OTC World magazine, which monitors the world's derivatives markets. The fall was mainly due to the London market's loss of business in German government bond (bund) futures contracts to Eurex.

Most of the fall in activity at Liffe was in the second half of the year, while its rivals recorded higher business. The 10-year Eurex bund futures contract is now the third most actively traded, after the Treasury bond future on the Chicago Board of Trade and the Eurodollar future on the Mercantile Chicago

Exchange.
The CBOT remains the world's largest derivatives market and recorded an increase of nearly 17 per cent in trading volume last year. The CME and the ChiExchange retained their third and fourth positions. respectively. The biggest increase in

in up as Ja

trading volume occurred on Monep, the Paris options market, which recorded a rise of nearly 400 per cent in activity, mainly due to trading in contracts on the CAC 40 French equity market index, which transferred last year from Matif, the Paris

derivatives market. Meanwhile, trading vo. umes on the Sydney Futures Exchange rose 5.4 per cent in 1998, making it the largest futures exchange in the Asia-Pacific region for the second consecutive year. The exchange said yesterday volume across all futures and options rose to 29.9m contracts, for a nominal value of A\$10,500bn, the second highest in the SFE's

39-year history. Les Hosking, chief executive, said the exchange had held its lead over the Singapore International Monetary Exchange (Simex), which traded 27.9m contracts, and the Tokyo International Financial Futures Exchange

with 21.7m contracts. The increase was led > the SFE's 90-day bank b contract, in which turnover rose 30.7 per cent, and the All Ordinaries Share Price index, up 14.8 per cent. The two account for nearly 45 per cent of its futures and options turnover.

Falling commodities prices also increased demand for agricultural products.

DESCRIPTION OF THE PARTY.

Trading on the New Zealand Futures and Options Exchange, the SFE's wholly owned subsidiary, increased by 11.2 per cent to a record cago Board Options 1.34m contracts.

German bank raises €2bn

NEW ISSUES

By Khozem Merchant Hypothekenbank in Essen. the German mortgage bank,

yesterday offered a €2bn global pfandbrief bond, the only big issue on a day of low-volume activity. The brief respite came after a strong rate of issuance in the euro's first week. Bankers say high volumes should resume within days.

The Hypothekenbank in Essen bond was targeted at investors outside Germany, unlike last week's €2.5bn pfandbrief bond by Allgemeine Hypothekenbank, which was, typically, bought

by domestic buyers. Commerzbank, the joint lead arranger with Goldman Sachs, said between 80 and 90 per cent of its placement was bought by investors outside Germany, exceeding

Non-German investors WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

cially as interest rates are likely to continue falling," said Alexis Plan, syndicate manager at Commerzbank.

The 10-year bond was priced to yield 42 basis points over the relevant bund. Demand for long-term maturities is strong given the low-interest rate environment in the emp-zone.

This was underlined by the launch of a 15-year €1bn pfandbrief issue by Allgemeine Hypothekenbank,

which will be priced today.
Pfandbrief bonds are issued to refinance domestic lending for housing and public institutions and are secured by public-sector loans. They are highly rated and their issuance is forecast to grow as German mortgage banks refinance their lending business abead of a forecast sharp rise in lending, especially to municipalities.

The jumbo pfandbrief market is the biggest bond segment in the euro-zone after want longer maturities, espe- Italian government bonds.

-0.06 -0.08 -1.04 +0.03 -0.02 -1.22

Red Bid Bid Day chg Wix chg Month Year Date Coupen Price Yield yield yield chg yid chg yit

4.000 100.9400 3.04 - -5.750 113.1600 4.01 +0.06 +0.06

10 YEAR BENCHMARK SPREADS

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US DOLLARS			: <u>:</u>				ta waa in na 12.5 75 7
Keybenk National Assoct	300	(8)	100.06R	Jan 2004	0.15R	-	CSFB
Dautsche Bank Finance	150	4.125	98.018R	Jen 2001	0.125R	+42(4%Dec00)	Deutsche Bank
World Bank(b)	75	(51)	101.05	Feb 2009	2.00	-	Serve International
Inti Finance Corp+	70	4.56(q)	100.00	Jan <u>20</u> 03	1.1571		IBJ Intl/New Japan
ELIROS(e)				/ /	. T.		
hypothakanbank in Essenip)	2bn	4.00	98,50R	Jan 2009)	0.225R	+42(3%Jan09)	Commerz/Goldman Sach
rish Permanent pic(c)‡	220	(C1,3)	99.50R	May 2003		· · - ·	Paribes`
Bayarische HypoVereinsbank	200 .	4.625	99.20R	Feb 2009	0.30R		BGL/Beyorl-IVB/Generals
DeimlerChrysler Intl Fin	200	3.50	99,63R	Jan 2004	0.25R	+35(8%Sep03)	Deutsche Bank
DSL Bank	100	2570	97.024	Jan 2000	0.05	• • • • • • • • • • • • • • • • • • •	Nomura Internetional
er Sterling		:	÷.			್ಟ್ ೩	
Tesco pic	150	5.125(8)	99.08R	Dec 2009		+100(Dec09)	Morgan Stanley DW
Associates Capital Corp.:	150	(d)	99.7828	Jan 2004	0.208		HSBC Markets
CANADIAN DOLLARS		٠.				7 4 4 4 4 4 4	100
Deutsche Bank Finance	100	5.00	98.98R	Feb 2004	0.25R	128E/6Sen03	Deutsche/RBC
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australian dollars .		·		1. (1.17	- · · ·		
National Australia Bank	200	5.00	100.2805	Feb 2002	1.375	-	TD Securities
Westpac Benking Corp*	125	4.80#	99,98	Jan 2002	1,36	-	Nomura International
Deutsche Australia	100	5.00	97.755R	Feb 2004	0.25A		Deutsche/RBC
I NEW ZEALAND DOLLARS	3				·	والأرافظ والمراز	a introduction distrib
Deutsche Australia	100	6.00	98.1857	Feb 2004	0.25R	_	Dautsche/RSC

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at leunch supplied by lead manager. HUnitated. ‡ Reating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mit Libor +3,%. b) \$155m launched Friday increased to \$200m. Callable annually at par. bif) 61/4% in yr 1, then 6%. c) Fungible with \$320m. cit 3-mit Libor +50/bp. c) 3-mit Libor +60/bp. d) 3-mit Libor +20/bp. c) Spread relates to German govt bonds. () Long 1st coupon. p) Oetfentilicite Pfendbrief. c) Quarterly coupons. s) Short 1st coupon.

Retail investors were the targets for a three-tranche self-led issue for Deutsche Bank, in Canadian, New Zealand and Australian dollars.

Demand for such paper has grown due to a desire for portfolio diversification and a heavy redemption timetable in coming months, which will release funds for further investment.

BOND FUTURES AND OPTIONS

MI NOTIONAL EURO BONG PUTURES (MATE) €100,000

111.96

-0.37

112.47

112.33

A\$100m, each with a fiveyear maturity. Since the launch of the

euro there has been brisk issuance of paper in peripheral currencies, including the South African rand, the Greek drachma and the Nor wegian krona.

111.87 32,357

Separately, Deutsche self

The bonds were for led a \$150m bond of two-year

Treasuries.

C\$100m, NZ\$100m and maturity, priced to yield 42

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	_				
	Euro				
	EURO B	NO FUTURE	S (MATH) ET	00,000	
		Open	Salit price	Change	
	Mar	112.00	111.20	-0.95	

basis points over two-year

month market a euro-denom-

inated bond of similar vol-

ume to the \$1bn bond issued

last week, the first by a

	Euro										INTE	RNA	TIONAL	BON	DS				_	
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	- Wille					-	`	· • • • • • • • • • • • • • • • • • • •		·	Bayer L-	-Bk	08/04	9,500				+0.05		+0.15
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	CWE	05/			888	113.9246	6.02	+0.07	+0.22	+1.17	Deutschi		09/02	5.875	. AA+	101,1245	5.53	+0.05	+0.23	+0.36
	BECC BECC	NLS		 L75	AAA	119.9330	.: ` 571	+0.07	+0.22	+0.86	98		12/07	7.625	AAA	119,5782		-0.06		+0.45
	Banc One CNA Fin	08/ 01/	102	25	Ã.	104.9636 96.7984	5.68 7.26	+0.08	+0.25	+5.68	Oreadner British G		12/07 03/00	7.750 7.625	AA- A+	113,2419 102,2628		-0.06 -0.16		+1.39 +0.55
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_	WALK Tech	OV.			188÷	100.0831	5.75	+0.01	-0,19	+1.39	38		01/08	3.750	AAA	102.7352		+0.06	+0.11	+1 01
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-	FHLMC Slama	04/	00 7	.50	N/A N/A	111.2477 102.6877	5.43 5.07	+0.08 +0.08	+0.25 +0.06	+0.58 +0.71	RIAD (NA	orid Biç	03/02	5.250	AAA	114,2474	0.71	-0.04	+0.19	-0.19
	FRCB	02/ 06/			nva. Nva	136,0309 121,3635	5.80 5.40	+0.05 +0.06	+0.24 +0.26	+0.54 +0.55	Spain (40 Crest For		03/02 08/02	5.750 4,750	AA A	115,5686 111,8378		-0.04 -0.07	+0.19	-0.11 +0.43
	M HIGH YE	ហ	_ : <u></u>	٠,	:::::::::::::::::::::::::::::::::::::::		<u> </u>	 :	· · · · · · · · · · · · · · · · · · ·	*. <u> </u>	Raty (Rec	-	07/49	0.461	AA	100.0237	0.41	+0.05		+0.04
	Stone Cont AK Sti	02/ 12/		1.88 1.13	B 88-	101.1250 105.2500	0.00	Ξ	_	-	BRD (Wi		02/08	6.000	. AAA	101.8702	5.73	+0.23	+0.52	+0.36
	Pacada	.05/	D4 10	175	B	80.0000	0.00	<u></u> -		<u> </u>	New Sen 1 S., Auss G		05/06 06/03	6.500 7.750	nia AA	104,2475 107,6102		+0.23	+0.59 +0.45	+0.54 +0.75
-	HT talest, Stands	ed & Pogr's r	ndegs. Yi		ni-attoli i		Source	STREET, ST	Detail i	dermilie.	SMAC Au London et		05/01	9.000	n/a	107,0681	5.68	+0.20	+0.52	+0.79
		EREST	RA	ΙES									nstings. Yielder 1		M standart	(Armalind	Source basis.	: Intracti	e Cass/FT :	
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	Price Indicat		Mo	ka -	Day's A	in beauc	adj. To		Duration		%				Mon	Day's /	Accrued		UK in:	okces %
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+0.59 -0.24 -4.25 102.1000 98.6508 97.2619 7.750 888+ 8.750 88+ 7.750 888-7.36 8.90 8.21 71.0000 58.0000 77.0000 98.7500 8.94 14.89 8.64 10.76 +0.23 +0.74 +0.23 +0.25

5.00 6.00 9.00		00 4.01		_	-0 <u>.02</u>	-1.66	Character 1		CAL	IE			- PUTS	
9.00			+0.83	+0.13 +0.17	+0.14 +0.20	+0.18 -0.19	Strike Price	Feb	Ma		-	Feb		-
			-0.01	-0.28	-0.42	-0.73	170 111	2.02 1.16		_	:	0.07 0.20	0.27 0.50	-
7.00	0 120.77	00 414	+0.08	+0.05	-0.08	-1.21	112	0.51	0.8	6	-	0.55	0.90	-
4.00 6,00			-0.04 +0.06	-0.07 +0.08	+0.37	-0.66 -1.16	113 52 vol. 1844, 1	0.17 245⊾206 P±0			- 1 Mai, Caller 16.	1.21 822 Pata 13,30	1.50 5.	-
400	0 101.35	00 3.04	+0.01	-0.04	-0.09	-1.01								
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4.00			+0.02	-0.03	-0.12 -0.00	-0.90	Mar	Open 116.68	Sett price 115.98	Change -0.83	: High 116,91	10 0 115.96	Est. 40 521,475	Open Int 312,045
6.50 4.75	107.07	700 3.84	+0.05 +0.06	+0.05 +0.07	+0.01 +0.85	-1.21 -1.24		110.00	110.30	-400	1-927	19-30	er (let i)	512,040
5.62			+0.05	+0.04	+0,06	-0.93				PR PR	NA			
8.80 08.6		_,	-0.05 +0.12	-0.13 +0.13	-0.11 -0.71	-5.46 -4.35	TERRITOR FU	LUNES OPT	_ <u></u> -		or boungs of	100%	, Mas -	
5.50	0 108.67	90 3.17	+0.03	-0.02	-0.12	-1.55	Strike Price	Fet		3	Feb	Kar	- PUTS	
6.00 4.50			+0.08	+0.11	+0.03	-1.32	11800 11860	0.48 0.22			0.25 0.51	0.59 0.85		
4.50	0 104.60	OQ 3.39	+0.03	-0.07	-0.13 -0.03	-1.55 -1.53	11708	0.09	0.3	7	0.88	1.16		_
5.00 6.50			+0.08 +0.09	+0.07 +0.06	+0.04 +0.01	-1.38 -1.00	Egs. wal. total,	Capilla (il Paris	u. President de	ing chan p	nc, Carbi û Pa	65 0		•
6.90	0 111.91	20, 0.65	-0.02	-D.12	+0.18	+0.03	NOTIONA	L GERMAN	8U100 (BOB)	J FUTURE	S (OTB)!	DM250,000 1	00ths of 100	%
4 10 1.80	0 113.48	10. 1.27	-0.06 -0.06	-0.21 -0.22	+0.38 +0.55	+0.03 +0.08		Open	Sett price	Change	High	Law	Est. voi	Open lot
2.70			-0.04	-0.22	+0.51	+0.02	Mar	109.13	109.04	-0.12	109,37	109.03	142,800	199,438
9.00			+0.02	-0.03	-0.09	-1.01								
5.25 8.00			+0.07	+0.09	+0.40	<u>-1.12</u> -2.40	NOTIONA	L LFB SWA	P. FUTURES (UFFEY 5	r 4.0% DM2	50,000 paint	s of 100%	
7.00			+0.10	+0.19	+0.43	-3.12		Open	Setz price	Change		Laer	Est. 10f	Open Int
7.00 6.75			+0.04	-0.21 -0.06	-2.08 -0.10	+1.25	Mar 		101.79	-0.19		-	0	965
5.37			+0.01	+0.19	-0.06	-1.29	W MOTTONA							
5.37	5 110.60	00 4.00	+0.87	+0.97	-0.08	-1.40	Mar	Open 102.74	Sett price 102.10	Change -0.52	High 102,74	L0≈r 102.85	Est. w _i l 150	Open int 500
8 75 8 90			-0.01 +0.06	-0.02 +0.09	-0.07 -0.03	-1.36 -1.35	Also traded on					·		
10.25			+0.03	-0.97	-0.06	-1.44								
6.50	_		+0.07	+6.03	-0.08	-1.48								
4.50 4.25			-0.01 +0.05	+0.09 -0.09	+0.09 +0.22	-0.27 -0.74	italy							
7 00	0 106.28	00 4.59		-0.11	-0.16	-2.02	III NOTICELA	L ITALIAN G	OVT. BOND	(BIP) FU	TURES (LFF	E)" Lira 200s	1000ns of 1	00%
6.500 9.000			+0.02 +0.04	-0.05 +0.81	-0.16 -0.14	-1.86 -1.71	M -	Open	Sait price	Change	High	1,5ar	Est. vol	Open let
6 00	127.98	00 4.92	+0.04	+0,08	-0.02	-1.56	elec .	11465	114.07	-0.70	114,80	113.79	21686	35585
4.500 5.29			+0.07 +0.08	+0.17 +0.21	+0.32 +0.38	-0.37 -0.30	-			me		. معيرا	····	_
5.62 5.50	5 104 45	26 5.02	+0.09	+0.25 +0.19	+0.33	-0.37 -0.32	M ITALIAN (SUTT. BOM	(BTP) FUTL		ME (LFT)		100 of 100°	*
				e bingde			Str <i>Pe</i> Price	1	er) CAT	Ma Ma		Feb		Her
iditali y	igis banis.	Yelds whoma S					11400		30 10	0.5 0.3		0.23		0.51
							11457				8			n 70. ·
111a	the s	'Dar-	ne				11 450 11 600	Q.	02	0.20	0	0.53 0.95		0.79 1,13
		SPREAL	OS		Spread	Strant		Q.	02	0.20	0	0.95		
Spread VII	Spread vs.	SPREAI	OS	Bid Visit	Spread vs Furne	Spreed 19 T_Roots	11500 Est val lotal,	Q.	02	0.20	0	0.95		
Spread ve Euros	Spread vs. T-Bonds			Yield	ius Euros	ve T-Bonds	11,500 Est vet boot, Spain	O. Cada (I Puta	(12 Ø Previous da	0.26 17'3 apes li	0 £, Ca¥s () Pu	0.95		
Spread va Euros +1.56 +0.30	Spread vs 7-80n0s +0.44 -0.82	Notherlan New Zeal	ds.	71e4d 3.98 5.86	+0.18 +1.86	T-Bonds -0.94 +0.74	11500 Est val lotal,	O. Cada (I Puta	(12 Ø Previous da	0.26 17'3 apes li	0 £, Ca¥s () Pu	0.95		
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5pread w Euros +1.56 +0.30 +0.31 +1.28 +0.35 +0.21	\$pread 15. T-Bunds +0.44 -0.82 -0.81 +0.16 -0.77 -0.91	Heitherfan Henr Zeal Monway Partugal Spain Sweden	cts and	7 m/d 3.98 5.66 5.12 4.06 4.11 4.12	+0.18 +1.86 +1.82 +0.28 +0.31 +0.32	T-Bonds -0.94 +0.74 +0.20 -0.86 -0.81 -0.80	Spain	Q. Cats (I Puts L. SPANESH Open	02 8 Previous da BÓNIO PUTUR Selt price	0.23 y'a apen li RES (MEPI Charage	0 12. Calls () Pu P) €100,000 High	0.95 es 5000	Est. vol.	1,13 Open ist
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Derivatives volumes up 10% in 1998

CURRENCIES & MONEY

Yen up as Japanese worries surface

MARKETS REPORT By Alan Beattle

The yen hit a two-year high against the dollar yesterday, rising above the Y110 level as the first admission that the currency might be too

strong came out of Japan. Koji Tanami, the vice finance minister, said yesterday that the strengthening of the yen was "undesir- to the possibility of central able". This reassured market analysis that the inexplicable welcome given last week to the currency's rapid akibara, vice finance minister for international affairs,

was not a universal view. The dollar closed at Y109.3 against the yen at the end of account surplus is drawing London trading, lower than on Friday and only just above the intraday low of

Rumours that the Bank of Japan had been supporting the yen seemed far-fetched. Traders who had actually

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done transactions with the world, any reluctance at the central bank proved elusive. margin to reinvest those pointed at Y105 or Y100 as more likely trigger-points for

intervention. Reports in the US yesterday that the Federal Reserve had ruled out intervening for the moment reversed the yen's slight rally during London trading. But the jittery, thin markets remained alert bank intervention.

The view has gathered supporters in the currency market that the yen's appreciation by Eisuke Sak- strength is related to its current account surplus at a time of limited international capital flows.

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Since the Japanese current

and most market analysts funds abroad is likely to

affect the yen's strength. Divyang Shah, global strategist at the economic consultancy IDEA, said that while Japanese investors were unlikely to liquidate existing holdings of US assets on a large scale, they may lose their enthusiasm for making new investments. Japanese holdings of US

Treasuries had fallen in 1998 and stabilised at a lower level than in 1997, he said. Market analysts said a rise in risk-aversion was causing investor unwillingness to take positions in overseas financial markets.

"We have not yet seen the full legacy of the turmoil in 1998," said Avinash Persaud, currency strategist at JP Morgan in London.

"There may be a long-lasting effect on investors' appetite for risk. This makes currency markets thinner and

18.1457 56.1305 10.4212 8.2732 8.1222 2.7214 479.54 1.0658 2694.2 58.1305 12.2742 278.957 211.516 12.843 22107



trade flows in determining the direction of currencies," he added.

■ The euro fell again yesterday, continuing to defy those who had predicted a strong start for the currency.

It finished in London trading yesterday at \$1.153, its lowest closing rate since the beginning of the year.

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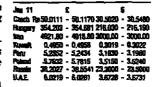
the settlement system Target may have acted as a catalyst for the euro's fall. "ironically this is exactly what the European Central Bank needs a slightly weaker cure while they sort out the liquidity issue." said Alison Cottrell at Paine Web-

■ The Australian dollar continued to surge up against its US namesake yesterday, buoyed by a bounce in commodity prices and the strength of the ven.

ber in London

By the end of trading in London the Aussie had reached \$0.6411, back around the levels of its most recent peak, in November 1998.

OTHER CURRENCIES



11 9540 35.0450 6.4655 5.1553 5.6865 1.6991 281.989 1.4739 1682.10 35.0450 1.9140 174.170 144.590 7.9175 1.4615 1.5445 1.1807

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kets strategist at Commonwealth Bank of Australia in London, said that the market often used the Commodity Research Bureau (CRB) price measure as a shorthand for movements in terms of trade likely to affect

the Australian economy. This was despite the fact that the CRB index is a poor proxy for the commodity composition of Australian production, containing several elements, such as cocoa, coffee and corn, which are not large parts of the Austra-

lian economy. Commonwealth Bank of Australia have recently launched their own commodity index which more accurately reflects the profile of Australian primary sector output. The measure held up in the second half of 1998 when the CRB was falling, perhaps suggesting that some of the weakening of

the Australian dollar around

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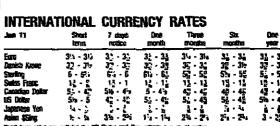
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ο.	98.410	98.4D0	0.020	99.410	99.390	3209	38696
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97.105	97.005	-0 020	97.105	97.090	155	1459
96.775	96.770	0.035	96.775	96.775	3	666

Strike Price 0.050 0.140 0.245 0,118

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0.090 0.045 0.030 0.015 0.005 0.135 0.185 0.505 0.280 0.505 0.625 0.250 0.180 BASE LENDING RATES Financial & Gen Bank 8.00 Smith & Willemson Robert Reming & Co6.00 Sun Bank. Allied krish Bank (GB) 6.00 Sanco Ribao Viznaya 6.00 Hatib Bank AG Zurich 6.00 United Bank of Kuwait 6.00 Hortzbie & Gen kw 9k.6.00 Bank of Cyprus 6.00 Unity Trust Bank Pic 6.00 C. House & Co Bank of tretand egg Hambros Benk å Trust 6.00 Bank of India 8.00 Bank of Scotland 6.00 Hongkong & Shenghal 6.00 Invested Bank (UR) Late 00 Members of London Julian Hodge Bank 6.00 Investment Banking Ruciava Bank Bris Elk of Mild East 6.00 OBTOWN Shipley & Co Ltd 6.00 OLeopoid Joseph & Sone 6.00

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Also traded on APT. All Open Interest ligh, and for previous day

III SHORT STERLING OPTIONS (LRTC) E500,000 points of 190%

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Mer 3.27 2*8*4 -IN THREE MONTH EURODOLLAR (BANG SIN) points of 100% Charge -0.05 -0.05 High 95.04 94.98 95.00 94.94 88,538 147,519 147,008 95.11 IL US TREASURY BILL PUTURES (MAN) 51:2 per 100% -0.05 -0.04 0.075 0.010 0.040 0.165 0.110 0.020 0.230 0.010 0.065 0.350 0.050 0.140 0,035 0,010 0,005 0 \$6875 \$7086 \$7125 0.110 0.025 0.125 0.015 0.005 0.240 0.245 0.360 0.120 0.310 0.405 0.435

St.george

-9.9 8.6-

St. George Bank Limited

U.S. \$250,000,000

Floating Rate Notes due 2000 1999 to 12th April, 1999 the Notes will carry a Rate of Interest of 5.3575% per annum. The Interest Amounts payable will be U.S. \$135.43 per U.S. \$10,000 Note and U.S. \$1,354.26 per U.S. \$100,000 Note. The Interest Payment Date will be 12th April, 1999.

Bankers Trust

FORD MOTOR CREDIT COMPANY USD 300,000,000 FLOATING RATE NOTES DUE APRIL 10, 2001

n accordance with the provisions of the above mentioned Notes, notice i

interest period: January 11, 1999 to April 12, 1999 (91 days) Interest payment date: April 12, 1999

Interest rate: 5.2075% per annum

Coupon amount: USD 131.63 per note of USD 10,000 USD 1,316.34 per note of USD 100,000

Agent Bank
BANQUE INTERNATIONALE A LUXEMBOURG

DEPARTEMENT DE LA GUADRIAUPE EMPRUNT OBLIGATAIRE FRF 50 000 600 -TRANCHE A TAUX VARIABLE ECREANCE 1999 TRANCHE A TAUX VARIABLE ECREANCE 1999
COOR ISIN: XS0051512100
EMPRUNT OBLIGATAIRE FRF S0 000 000 TRANCHE B TAUX VARIABLE ECREANCE 2000
CODE ISIN: XS0051512222
For the period January 08, 1999 to July 08, 1999
the new rate has been fixed at 4.179 % P.A.
Next payment due: July 08, 1999
Coupon at: 10
Amount:

Amount : FRF 21 011.08 for the denomination of FRF 1 000 000 THE PRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST S.A. 11-13, AVENUE BANK & TRUST S.A. L-2429 LUXEMBOURG

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Melanie Miles on Tel: +44 0171 873 3349 $F\ a\ x:\ +4.4\ 0\ 1\ 7\ 1\ 8\ 7\ 3\ 3\ 0\ 6\ 4$



盛 THE REPUBLIC OF MAURITIUS 2.555150.000.00h Floating Rate Notes due 2000 Finding sum processors of the sea, notice is hereby given that for is interest period lith Jeanery 1999. 12th April 1999, the interest new with 5.507599 and the interest popular is the relative propagate of the relative propagate is the relative propagate of the relative propagate is the relative propagate of the relative propagate is 1851 0.000 at 1 Recussive proposon case (9 will be US\$150,59 per U

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Gary Sergeant & Company Charlesed Accommissis Kept BRB 746

THE BUSINESS SECTION APPEARS ON PAGE 29 IN THE UK **EDITION TODAY** RAND MINES LIMITED (in Volumery Liquidation) mated in the Republic of South Afri Registration No. 91/00058/08 COMPANY ANNOUNCEMENT

The Laquidator of Rand Mines Limited (in liquidation) ("Rand Mines") wishes to advise that Randgold & Exploration Company Littrated ("Randgold") has instituted proceedings against, amongst others, Rand Mines and the trustees of the CH Madical Aid the fusives of the CH Madrial Ard Trust ("the Trust") in which Randgold have sought an order prevening the fusives of the Trust from distributing the amounts held by them to the beneficianes of the Trust.

in the proceedings instituted by Randcold they have also indicated that they intend instituting proceedings against Rand Mines relating to the recovery of contam amounts which Randgold allege are due to them in respect of payments which Randgold are obliged to make to certain continuation members of their medical aid fund.

Rand Mines are opposing that application and will consider any further legal proceedings on their merits. The Liquidator is presently considering the legal effect of these parce the finalisation of the housdation.

Johannesburg 8 January 1999

By Tim Bust in Stockholm

Commercial forestry in the European Union is facing a potential crisis in large areas of woodland following a prone to attack by bark sharp increase in cheap beetles and are easily broken imports and a growing oversupply of timber.

The Finnish-based European Forest Institute, the EU's only pan-European forestry research agency, is warning that many of the region's forests are becoming more vulnerable to disease and environmental damage following a reduction in the annual harvest by forest owners.

New figures from the EFI suggest that, far from being over-exploited. Europe's commercial forests are growing faster than they can be economically harvested.

The institute - an umbrella group for national forestry research groups in the EU, Russia and the Baltic states - says the EU's forests are growing by 486m ca m a year, while the annual harvest has fallen to

The rate at which forests are growing is now 50 per says Ian Hunter, director of the EFL "It means forests are getting too dense and old to remain economic.'

professor at Freiburg University in Germany. "The effect of this is a reduction of the general vigour of forests. Trees like this are very

by wind or wet snow." The problem, say EFI researchers, partly reflects a five-fold increase in timber imports to the EU over the past 15 years, exacerbating the region's "timber mountain" and depressing selling prices for pulpwood - one of the main components for paper and board production.

that pulpwood prices could fall by 18 per cent as supply Some of Europe's largest forestry products groups admit forest growth is outstripping demand in some areas, but suggest the potential crisis will be confined to

Industry analysts predict

pulpwood. "The problem is mainly on the pulp side," says Olav Henriksen, director at UPM-Kymmene, which owns more than 1m hectares of forest in Finland, the UK and US, "If you can't get a decent price for your wood, you leave it."

Environmental organisations blame the industry. UK-based Friends of the Earth says forestry companies should reduce their har-That view is echoed by vests and encourage "old-

EU forests 'under serious threat'

Gaps in Finland's woodland are a symptom of a continental malaise, writes Tim Burt

Parts of the remote pine forests of North Karelia, one of Finland's most heavily wooded areas, are scarred where heavy snowfall and wind have uprooted tightly packed trees.

The jagged timber is left where it fell, either too diseased or damaged to harvest. In nearby Joensuu, the regional capital and home to the European Forestry Institute, industry experts are warning that the ugly gaps are not a phenomenon confined to Finland's easternmost province - but a symp-

across the continent. The institute, whose membership includes most of Europe's national forestry research groups, believes commercial forests in the EU are facing a serious threat.

tom of a malaise spreading

A growing surplus in EU timber, and a rise in imports from North America and the emerging markets of southeast Asia and Latin America, has persuaded many forest owners to reduce the annual harvest.

Ian Hunter, director of the EFI, says only 65 per cent of annual growth in EU commercial woodland is being

"Every year, another 170m cubic metres could be cut to balance growth and harvest. Another 85 pulp mills could could be cut and aggregated economically," he says.

Mr Hunter and his colleagues believe the widening gap between growth and harvest rates could lead to a long-term deterioration in European forestry. In the worst case scenario, forests will become "sub-economic" as unharvested trees grow

too old and densely packed. "Forests become vulnerable to insect attack or wind damage: either way it will be a hell of a mess and depress prices for a long time," he

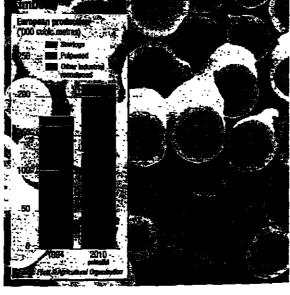
The EFI, citing research by Norwegian and US forestry specialists, says pulpwood prices could decline as the timber surplus grows, while Europe's forest landscape could be impaired. its findings are likely to reopen a long-running debate over sustainable for-

tal organisations. Many environmental groups, such as the UK's Friends of the Earth, lay the blame squarely at industry's door.

estry, pitching industry

groups against environmen-

Tony Juniper, policy and campaigns director at Friends of the Earth, says many of the companies reducing the harvest of European reserves are the same companies importing



Potential production of He claims, moreover, that European pulpwood, by comsuch companies have made parison, is likely to grow by things worse by stripping almost 25 per cent between out naturally growing but 1994 and 2010, exacerbating less valuable trees, "In Finland, less than 2 per cent of existing surpluses. the old growth forest is left. Part of the problem, say

EFI scientists, is that the Mr Juniper adds. timber growing season is Some forestry companies getting longer. The growing including UPM-Kymmene of Pinland and Sweden's Assiseason for individual species in Europe has grown by 15 Doman - accuse the EFI of being overly pessimistic.

"Spring is coming five While admitting they are days earlier and autumn 10 harvesting only about twodays later, trees are growing thirds of the annual forest growth, they say prefaster and we don't know commercial thinning why," says Mr Hunter. which older trees are removed - should minimise

The challenge is to agree how to address the problem. The EFI, with some support from environmental groups, believes the commercial forest "canopy" needs to be broken up, making way for different species.

Given the costs involved, that is not something that many forestry companies are

European

SUGAR DUTCH UNLIKELY TO MEET EU QUOTA

harvest hit by bad weather

By Paul Solman

Europe's sugar harvest has been hit by cold and wet weather that has hampered farmers' efforts to get the beet crop in on time.

As the 1998-99 harvest - or "campaign" - draws to a close, latest estimates put total European Union sugar output at about 17.4m tonnes. That compares with last season's record of almost 19m tonnes.

The impact of the harsh weather has been limited mainly to the Netherlands, Germany and Belgium, but the crops there have suffered quite markedly," said Neil Meader at ED&F Man Sugar Research. "The Dutch crop is unlikely to meet its EU

Freezing weather has also damaged the beet's sugar content. "Although it would have to be very cold to trap the crop in the ground, the cold has frozen some of the beet in storage," said Mr Meader. "Defrosted beet is pretry much worthless."

Dutch sugar output is estiagainst last season's figure of more than 1m tonnes.

Belgian and German sugar producers have also been delayed by freezing temperatures. Elsewhere, the campaign has faced muddy conditions and flooding.

"Farmers have been unable to get machinery into the fields and collect the beet when its sugar content is at its peak," said Tony Hannah, chief economist at the International Sugar

Organisation. Overall European sugar production is expected to be in line with an average year. "Europe's harvest will certainly be smaller than last

tionally good," said Chris Pack, chief analyst at C. Czarnikow.

The beet campaign, which starts in September, is usually over by January in most of Europe, although it tends to end later in the UK because of the more temperate climate. Britain's campaign should be over by February - it went on until March last season.

There have been some difficulties with fields becoming waterlogged, but the wet spells have been interspersed with dry peri-ods that have allowed the harvest to keep going," said Geoff Lancaster of British Sugar, the UK's sole sugar beet processor. "We certainly don't seem

to have suffered in the same way as some of the other countries," he said. The EU's beet crop accounted for about half the

world's beet sugar output in 1997-98 and 15 per cent of global sugar production.

However, the lower harvest this season is unlikely to affect white sugar prices. mated at 830,000 tonnes The benchmark futures contract remains depressed on the London International Financial Futures and Options Exchange, though above mid-October's 10-year low of \$215 a tonne.

"The very good cane crop in Brazil means the world's white sugar balance shouldn't be affected." said Mr Hannah. "The forecast is still for oversupply."

Global sugar supply has outstripped consumption since 1993-94 and most estimates put the 1998-99 balance at a surplus of 2m-3m tonnes, although the US Department of Agriculture surprised the market in November by forecasting a supply deficit of 1m tonnes.

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LME steps in to prevent aluminium squeeze

GRAINS AND OIL SEEDS

75.80 -0.10 75.80 75.50 76.00 +0.10 75.80 75.50 78.00 +0.10 78.25 77.50 80.00 +0.10 80.00 79.75

III TREEAT LIFTE (100 lynnes; £ per tonne)

MARKETS REPORT By Gillian O'Connor

nd Robert Corzine The London Metal Exchange stepped into the aluminium market vesterday to prevent a severe supply squeeze threatening to distort the

COMMODITIES PRICES

BASE METALS

market later this month. In its first public intervention ing supply squeeze as the since publication of its "market aberrations" paper last some big market particiyear, the exchange imposed a limit of \$1 a tonne on the premium payable for rolling a contract forward for a day. This limit will be reviewed on February 26.

Precious Metals continued

Traders describe the loomlatest skirmish between pants. Some say the LME is protecting those who have sold metal short. Premiums for immediate delivery evaporated yesterday after the exchange's intervention.

Base metal remained generally firm, but there was little reaction to the announcement of a production stoppage at the Bingham Canyon smelter. which is owned by Kennecot Utah Copper - a Rio Tinto subsidiary. Copper stocks

8 473 - 144

THE COCOA LIFTE (10 tonnest S/to

■ COFFEE (ICO) (ItS centerbound

III WHITE SUGAR LIFFE 60 money \$/tone

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+19 938 +19 958 +20 974 +20 997 +20 1015 +20 1035

Meanwhile, crude oil colder weather in the US. The beliwether Brent Blend futures contract for February delivery was \$12.22 a barrel in late trading on London's International

938 910 2,821 55,635 958 931 912 28,966 974 952 388 12,975 997 972 671 29,341 1015 993 320 18,656

1383 2,250 35,775 1390 1,086 18,909 1417 119 5,821 - 25 4,465 - 18 5,848

2,116 42,534

the impact of a reduced cut.

They also point out that demand for both pulpwood

and sawn timber is still

growing. "We are seeing up

to 1.5 per cent growth a year

in the European market.

says Michael Eliasson, direc-

tor of business development

cents on Friday's close. The prices rose sharply amid ris- last time front month Brent ing tension in the Gulf and traded above \$12 a barrel was last November. The markets were also

buoyed by predictions that weekly data on US oil inventories, due out late last night, would show further

82.325 -0.200 62.900 61.900 8,906 41,983 85,500 -0.025 63,850 65,000 6,110 34,394 84,675 +0.275 84,975 84,200 2,009 19,292 84,575 +0.325 84,800 64,200 943 10,846

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LONDON TRADED OPTIONS

LONDON SPOT MARKETS

\$11.42-1.53x \$12.10-2.13

81215-218

\$115-117

\$129-137

10.40-10.45

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22 50 88

24 37 53

+0.175

MEAT AND LIVESTOCK

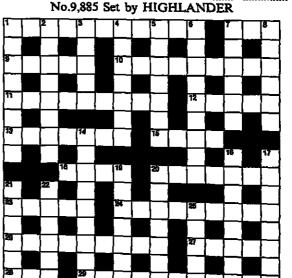
III LIVE CATTLE CHE (40,000bs; carta/bs)

JOTTER PAD

year's, but that was excep-

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD



Join non-stop party here in France before tape is oadcast (11) Craft with neither bow nor stern conveying fruit (3) 9 Unopened

10 There's nothing new in the stable block (9) Replaced for plot we used to grow plants in (9) 12 in the past, energy galore

13 Gave detailed account of 6 Architect's plan for ballerinote referred to (7) 15 The old appeal on the way

18 Old source of heat is about to become a burden (4) 20 Dismissed, often strange in science fiction (4,3) 23 Obtain about 50 to share equally (5)

24 Leader of newspapermen 26 Supply condition for viewing (9) 27 Popeye's partner switched

on oxygen first (5) 28 New part of Bible? Nega-

tive (3) 39 Ten big fellows, head to tail, representing expan-

16 Absolutely certain the sign is + (8) 17 Spain and France flowing. naturally, with industrial Waste (8)

19 Constable is exceptional (?) 20 His deliveries might break textile worker (7) 21 Composer's opera set in China? There's no answer

Where form of transport

departs from party pro-

Girl from Italy married to a

na's lift: leave it off and on

Principal goes on working

without compromise (4-2)

14 Brown and green mixture

Depressing atmosphere or

covering one that's orange

4 Popular drink the same in brief, tasteless (7) 5 The sort of spoon put in

drink afterwards (7)

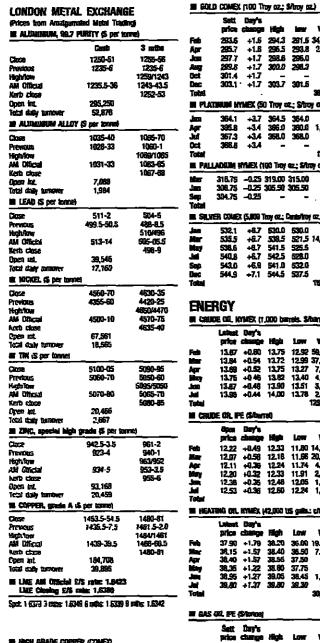
lack of colour (5)

(8) emms Blame sa

the bottom (8)

to that! (6)
22 Nearly lost and am con-25 Gas ring - a section show ing wizard's home number

Solution to Saturday's prize puzzle on Saturday January 28. Solution to yesterday's prize puzzle on Monday January 25.



IN HIGH BRADE COPPER (COMEX) 429 PRECIOUS METALS Prices supplied by N M Rothschild 291,70-291,00 291.15 292.85-293.15 290.60-290.90 291.00-291.50 Silver Pix

113.00 +6.25 113.75 107.90 14.008 11,128 113.00 +6.75 113.25 107.75 21,467 38,337 113.25 +5.50 113.25 108.50 5,849 16.172 113.50 +6.00 113.50 109.25 1,163 8,368 114.75 +4.50 113.50 111.00 398 5,579 119.50 +4.50 116.00 113.25 626 11,199 THE MATURAL GAS IFF (1,000 Beaus, panel per bere) 10,430 -1,080 10,700 10,410 430 7,075 9.880 -0.650 9.950 9.870 705 5.850 1,610 29,985 1,770 -0.060 1,790 1,740 27,557 46,680 1,800 -0.049 1,810 1,780 9,991 31,230 1,805 -0.042 1,820 1,785 3,512 21,718 830 -0.033 1.840 1.815 2.246 14,609 MYMEX (42,000 US galls.; crUS galls.) 40.05 38.40 15,728 31.080 41.10 40.05 1,629 16,827 43.85 42.90 4,153 15,705 +1.59 43.85 42.90 4,153 15,705 +1.32 44.50 43.80 1,540 13,439 +1.10 44.85 44.85 479 8,706 +1.30 45.10 44.55 209 10,834

293.5 +1.5 294.3 291.5 34,659 73,241 295.7 +1.5 295.5 293.8 2,929 24,655 297.7 +1.7 298.6 295.0 173 17,202 299.8 +1.7 300.0 296.3 75 6,703 301.4 +1.7 - - 2 2,500 303.1 +1.7 303.7 301.5 293 12,848 38,271 170,849 364.1 +3.7 364.5 364.0 11 67 365.8 +3.4 366.0 360.0 1,383 10,524 367.3 +3.4 366.0 368.0 2 572 368.6 +3.4 - - - 1,094 M. PALLADKING HYMEX (190 Troy ez.; S/troy ez.) 318.75 -0.25 319.00 315.00 192 2.586 308.75 -0.25 305.90 305.50 1 60 304.75 -0.25 - 1 1 127 5321 +87 5300 5300 27 III CAUCE CO. KYMEX (1,000 barrels. \$/barrel) 11,80 14,805 45,782 11,66 20,860 71,383 11,74 4,830 36,692 11,91 2,711 16,377 7,072 27,403 953 18,984 224 10,702 1,067 10,726 620 8,580 30,713171,409 Lan Feb Mar Apr Jul Total

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PULP AND PAPER PRLIFEX CHALX (LSS); 24 at dry loos) 428.00 +12.00 428.00 420.06

Minor Metals from Metal Bulletin European tree market, S per pound in warehouse \$25 week's prices in brackets, Anthrony: 92.55%, S per torne, 1,790-1,260, Blamustir mis. 99.95%, torne lots, 2.80-3.10 (2.85-3.20). Cadmism: min. 98.95%, cents a pound, 16-20. Cobact. MB free market, min. 98.8%, 9,00-10.50 (10.50-11.50), min. 99.3%, 6.90-9.00 (7.90-9.00). Mercury: min. 99.99%, \$ par 76 pound flask, 137-145. Melyhodenum: ed molyhdic coide, 2.65-2.80 (2.65-Selentum: min. 99.5%, 1.40-2.30, ten ore: 52-42. Urentum: Nuexco, icted exchange value 8.75. Vane-

VOLUME DATA . . . Open interest and Walnes data above for contract **INDICES** 1473.2 Jan. 8 1497.8 CRB Pateres (Base: 1967 = 100) Jan 7 196.47 **■ 65G Spot** (Base: 1970 = 100)

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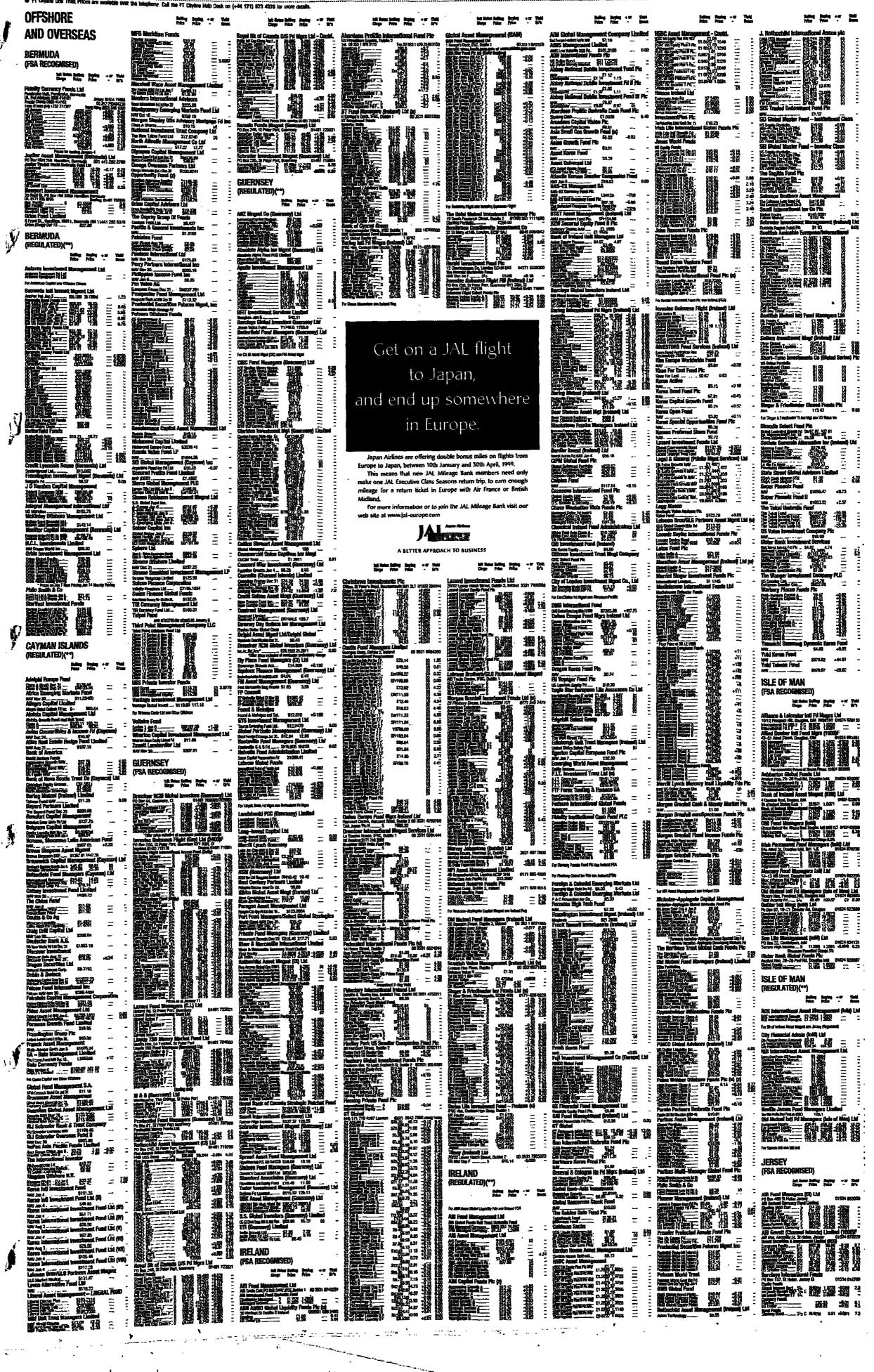
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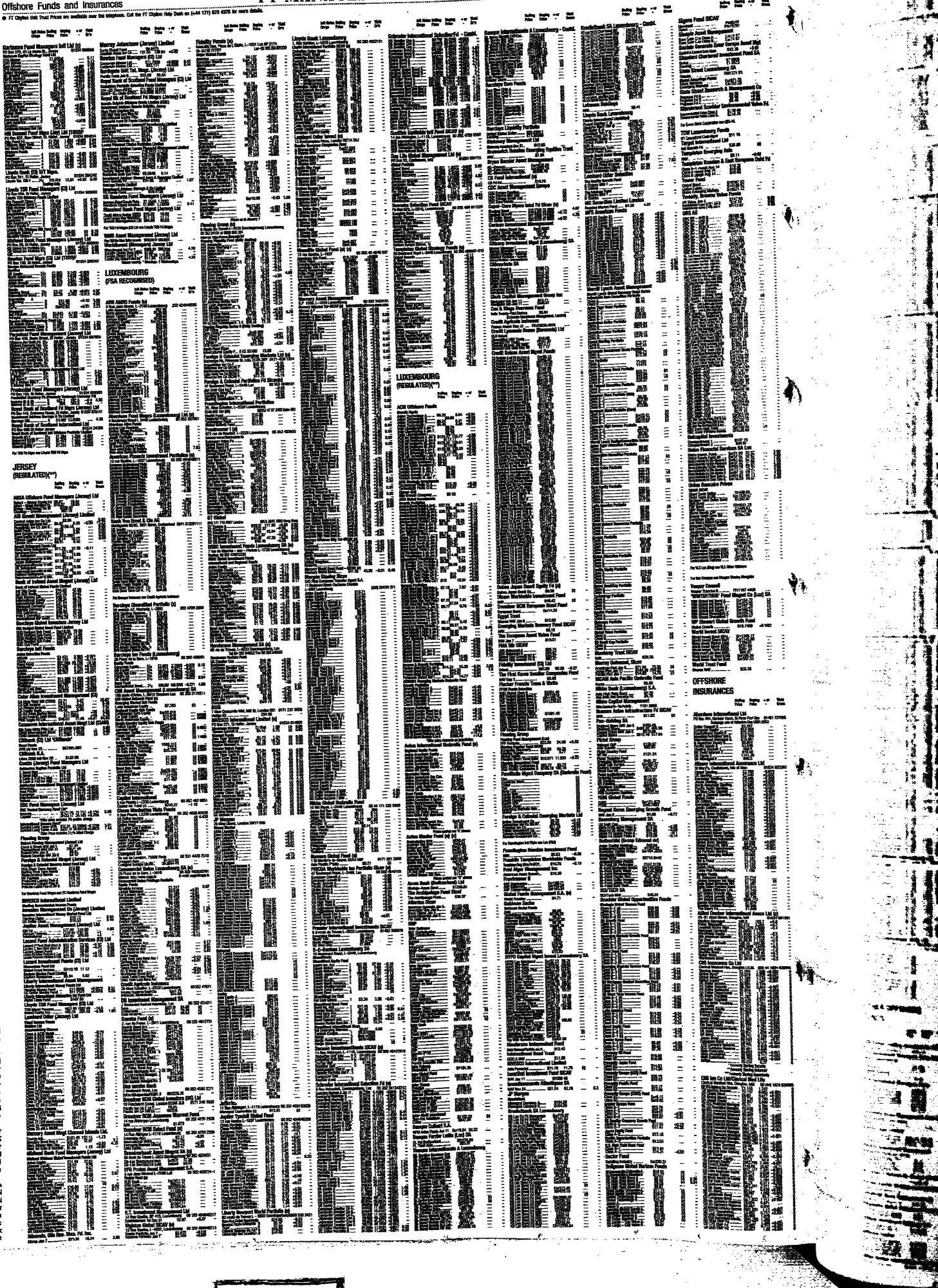
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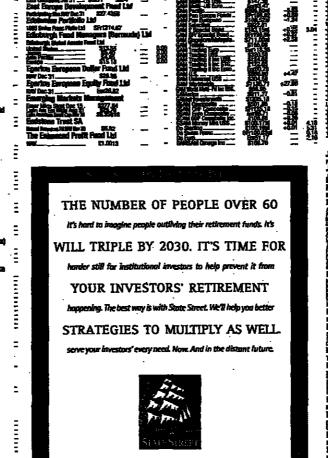
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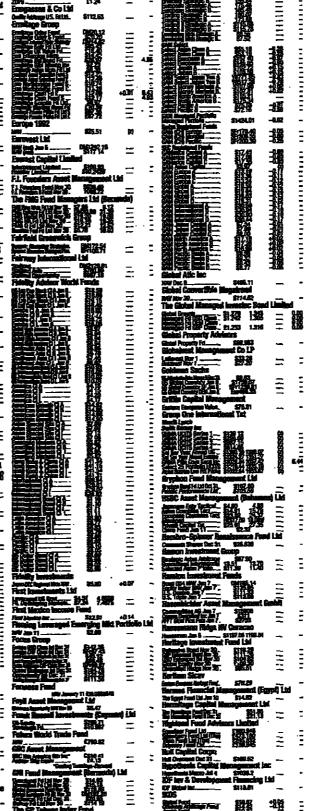
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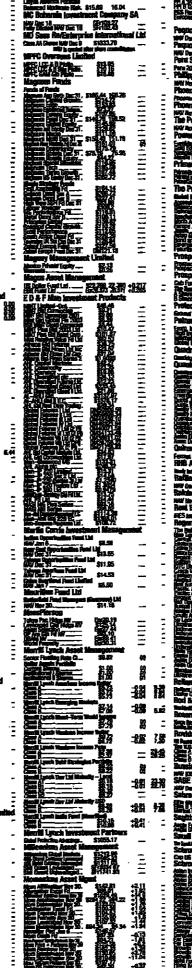
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The New North West of England

Thursday March 18

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GUIDE TO LONDON SHARE SERVIC

Prince and teaching volumes for the Lindon States Service and children in Prince Princ

Wall Street and dollar offer no support

EUROPEAN OVERVIEW By Vincent Boland maintain interest, but buyers withdrew in the after- to ABN Amro. European stock markets noon and stocks generally closed lower yesterday after fell by about 1.5 per cent in receiving no support from either US shares or the dol- there were individual outperlar, which bounced back a formers and selective inter-

the main markets, although little from its lowest levels est in defensive sectors. against the yen, but remained vulnerable to fur- the first trading days of the

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FTSE EUROTOP 300

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brightly enough, and there biggest companies across the "These are all characterised was more merger activity to euro-zone by defensive- by stocks large enough to was the tobacco sector, minded investors, according top the size range in most market indices.'

"With earnings estimates under pressure around the index of Europe's leading world, investors have been stocks fell 18.18 to 1,235.14 searching out defensive sectors and stocks hence the rotation into areas such as to 2.862.92. telecoms, pharmaceuticals and financials," the bank said in its latest strategy

FTSE Actuaries Share Indices

912.04

The FTSE Eurotop 300

yesterday, while the FTSE Eurotop 100 index fell 48.11

The FTSE Ebloc index of the main stocks in euro-zone

European series

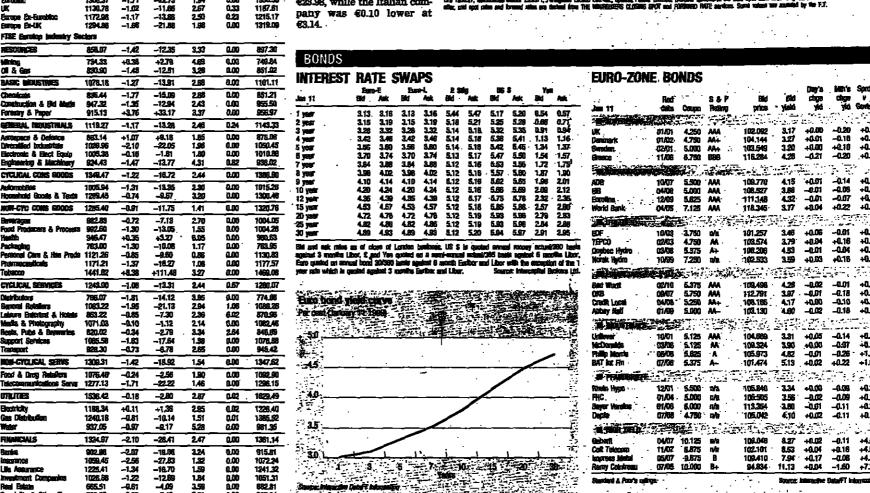
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which rose 8.4 per cent after the takeover of Rothmans by BAT Industries, Richemont the company that controls Rothmans, jumped £159.40 to €1540.09, while BAT, which is paying £5.28bn for the acquisition, rose €1.20 to

against the predominantly products, which climbed 3.8 per cent. SCA and UPM-Kymmene both added #0.70 to close at €19.90 and €25.62 respectively.

In a weaker auto sector, Volvo slumped amid disap pointment that its talks with Fiat might not lead to a dis posal of its car division. The Swedish group's A and E shares each fell €1.20 to end respectively at €23.49 and €23.98, while the Italian company was €0.10 lower at

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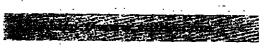
STRONG RISE IN 1998 SALES: +16.2%

Valeo's 1998 consolidated sales totaled FFr 39.5 billion (6 billion euros) against FFr 33.9 billion (5.1 billion euros) in 1997, up by 16.2%. This figure includes, for the 4th quarter 1998, sales of the recently acquired activities of ITT and excludes the FFr 400 million in 1998 sales generated by the recently disposed of display and fuel tank caps activities.

Annualized sales, based on the Group's reporting entity at December 31st 1998, stood at FFr 47.6 billion (7.3 billion euros). This represents an average annual growth rate of 19% over the past five years. Europe accounts for 65% of annualized sales, North America 28% and the rest of the world 7%.

1998 was a year in which Valeo once again largely outperformed the automotive market. The Group intends to pursue its profitable growth strategy in 1999.

Valeo will armounce its estimated results for 1998 on January 21st 1999.



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FINANCIAL TIMES TUESDAY JANUAR

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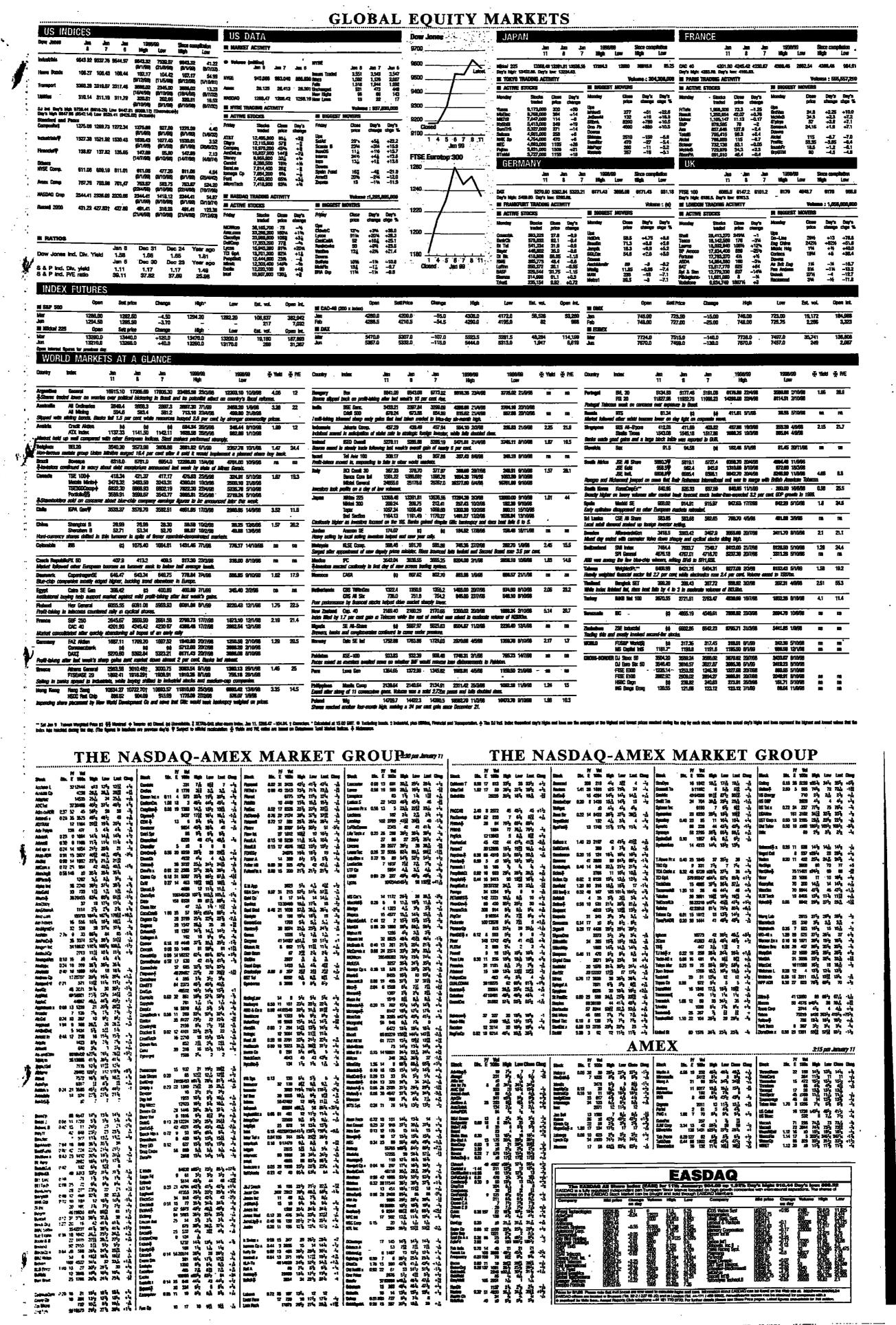
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FINANCIAL TIMES TUESDAY JANUARY 12 1999 *



EMERGING MARKET FOCUS

Budapest tastes

STOCKOMARKETS

Global rally stalls in spite of merger talks

WORLD OVERVIEW

Two of the themes that have dominated equity trading in early 1999 were in focus again yesterday - the wave of merger activity and the are nil-premium mergers, or weakness of the dollar against the yen, writes Philip

of a planned merger between

were reports of a planned nologies and Ascend Com-

being autounced or planned are being undertaken for defensive reasons, a flurry of bid activity makes investors that Flat and Volvo were in the market. And there was talks was followed by news one hostile bid yesterday, tobacco groups BAT and France for English China

global stock markets which saw all-time highs in Wall Street and London last week and rises of more than 7 per cent in the Paris and Frankfurt markets.

Investors may have been taking profits but they could Weekend confirmation nervous about being out of also have been distracted by another bad day for the US dollar, which hit a 28-month the offer from Imetal of low against the Japanese

Banks led the retreat.

that the group's 1998 profit

from investment banking fell

about 25 per cent. The weak-

ness spilled over to the rest

of the sector, leaving Com-

merzbank €1.10 lower at

€27.40 and Deutsche-Bank

Metro, the world's second

ached an all-time high of

largest retailer, which

€78.50 last Thursday, fell

€4.04 to €67.70 after WestLB

cut its rating on the stock.

saying new accounting rules

ings power of German retail-

lower to €423 in sympathy.

close, the shares were trad-

ing €10.50 lower at €348.50.

PARIS consolidated after

quickly abandoning all

hopes of an early rally. By

the close, the CAC-40 index

Alcatel was a big loser,

down €8.70 to €115, hit by

talk of a link-up in the US of

Lucent and Ascend, which

would provide a competitive

setback for the French

Construction group Saint-

as it sought to play down

had risen 43.52 to 4,201.90.

€1.22 down at €55.60.

None of this, however, was investors may be repairia- the Ketra Dax in Frankfurt fourth quarter 80 per cent ing on the US Treasury bond point in early trading yesterday. And the weakness of US Treasury bonds undermines the valuation case for Wall

> Profit-taking was in evidence on the US market in early trading, although tech issues pushed further ahead. and the mood spread to Europe, where the CAC-40 in emerging markets and 13 per

deal between Lucent Tech- able to sustain the rally in ting funds have been weigh- almost 2 per cent. Another were neutral with the negaweak German economic indimarket, which dipped a cator, this time on manufacturing orders, did not help

> Meanwhile, the latest survey from Burson Marsteller revealed there has been a recovery would be swift and substantial shift in opinion towards emerging markets. In the third quarter of

The Mibtel index lost 523

or 2.1 per cent to close at

24.655, compared with its

closing level of 25,292 on

Fiat shed 1.7 per cent after

Volvo, the Swedish car-

maker, announced the two

companies were in talks.

Fist, which gave ground last

week on worries about its

exposure to the Brazilian

market, closed 5.6 cents

Alitalia, the airline, rose

against the trend after it

announced that KLM, the

Dutch airline with which it

has a co-operation arrange-

ment, had held talks on

ments with US carriers. Alit-

alia ended 7.1 cents or 2.1

AMSTERDAM fell sharply

as financial stocks per-

formed poorly. The ABX

per cent higher at €3.45.

extending operational agree-

Tuesday last week.

down at €3.19.

1998, 87 per cent of managers

sweet success tive proportion dropping to 20 per cent.

However, while fund mangers thought emerging markets had passed their lows, they did not believe the expected further volatility.

The most favoured markets were Poland and Argentina, while Russia, the Czech were negative towards Republic, Pakistan and Venezuela were the least

cent down at 545.77. Fortis,

the financial group, fell €2.15

or 5.8 per cent to €35.20 after

announcing it planned to

issue more shares to raise

BRUSSELS featured a 16.4

er cent surge in non-ferrous

metals group Union Minière

after the company said it

would implement a pro-

gramme to buy back its own

shares. After a peak of

€32.70, the shares settled

back to close at €31.65, still

CGER/ASLK bank. Fortis

LISBON reversed opening

gains weighed down by

weakness in Portugal Tele-

com on concerns over its

general index lost 42.53 to

EDP broke through strong

resistance at €20 as the mar-

ket welcomed the utility's

plans to speed up the pace of

sate for sharp 1999 tariff

cuts. The shares finished 79

Written and edited by Michael

cents higher at €20.48.

Hall and Paul Gregan

staff reductions to compen

5.134.93 as PT fell €1.58 to

lost €1.26 to €34.64.

€42.10

€4.45 higher on the day.

money for acquisitions.

Budapest stock exchange stands the elegant Gerbeaud coffee house. Packed in summer, seats these days are plentiful as January's leaden skies drive away the tour-But on the bourse, non-

Magyar investors don't seem put off. "There was quite an attack, with huge turnover last week - over Ft20bn (\$90m) both trading days. says Gyula Pleschinger, chief executive of OTP Securities. "Foreign institutions have bigger books for Hungary this year."

Others agree. Although the Budapest index, the Bux, yesterday slipped 101.99 to 6,841.09, down 1.5 per cent, that follows a jump of 10 per cent last week. Then, in only two days of trading, Budapest made up for a longer hiatus than most markets to follow the bullish European mood after the introduction of the single currency.

Blue chips, such as telecom Matav and Gedeon Richter, a pharmaceuticals company, both outperformed to drag the Bux up.

The Bel-20 index gave up "Feelings are now quite 33.66 to 3,540.30, weighed positive. In terms of emergdown by a 3.5 per cent fall in ing markets, Hungary is well Fortis after the Dutch arm of placed," says Katalin Dani, the Dutch-Belgian financial equities analyst with CA IB group said it would issue 25m shares partly to finance Securities. the purchase of Belgium's

Ms Dani reasons that Hungary, Poland and Slovenia are first in the queue to benefit from post-euro enthusiasm. These three stand out, she says, as fund managers now distinguish between emerging and converging exposure to Brazil. The BVL markets.

Nor are equities alone in attracting foreign attention. Lower inflation forecasts central bank president Gyorgy Suranyi forecast 1999 inflation to average 8-9 per cent - have underpinned inflows to the bond market. At the fixed income desk

at CA IB. analyst Csaba Ludanyi says yields on government five-year paper have tumbled in recent weeks from about 14.5 per

Across the square from the

fall," Mr Ludanyi says. It is also very favourable for the 10-year state bond due to be issued on Thursday, the first in the region which, says Mr Ludanyi, is attracting considerable foreign interest. "After the auction, there will be huge turnhold them. They will disan-

pear from the market." All very well, but with bond trading largely confined to the OTC market. these developments may seem to have little bearing on the BSE. They do, how ever, mean the near-dorman corporate paper market k set for some new issues this year, which are likely to be traded on the bourse, adding diversity and liquidity. "Some of the biggest Hun

garian companies are in the frame for corporate issues, said one broker. Short term, at least, the outlook is good but while some new issues, such as IT company Synergon, are expected to enliven the market, the second half of the vear is less predictable. Uncertainties in west Euro-

exports, analysts say, Come the summer, it could mean the swectest things around for foreigners may be

pean economies could hit

Kester Eddy

Internet shares Profit-takers hit Frankfurt

shine as Dow loses ground

Another powerful rise among internet stocks helped to extend the latest powerful rally in technology issues, making this just about the only sector to escape the profit-taking that took hold on Wall Street vesterday, writes Richard Waters in New York.

The retreat had wiped nearly 1 per cent from the Dow Jones Industrial Average by early afternoon, but still left the average around 4 per cent higher than the level at which it started the year. The Dow was down 86.50 at 9.556.82.

Poor's 500 index suffered an even bigger decline, slipping 17.58 or 1.4 per cent to 1,357.51. Only the Nasdaq, powered by the technology sector, managed to continue its rise, adding another 6.22 during the morning to

General Motors was one of the few stocks in the Dow to shake off the profit-taking. The shares rose \$6% or nearly 8 per cent to 86% after bullish comments from analysts at J.P. Morgan.

The gains among technology stocks were boosted in part by takeovers following a report in the Financial Times yesterday that Lucent was close to paying more than \$16bn for fellow telecommunications equipment maker Ascend, and an announcement that Compaq

was to buy Shopping.com, an internet retailer.

tight grip on São Paulo SAO PAULO extended its damage the government's worries over the impact of reforms the debt moratorium by the state of Minas Gerais on the Brazilian economy.

The Bovespa index tumbled 492 or 7.3 per cent to 6,289 as bellwether Telebras preferred receipts plunged more than 8 per cent to

Analysts noted that a protracted stand-off between the state and federal government over the Minas Gerals debt freeze could severely

losses in early afternoon on efforts to introduce fiscal

BUENOS AIRES slid 3.1 per cent as worries over developments in Brazil soured the mood. The Merval index was 13.36 lower by midsession at 413.45.

MEXICO CITY was weak at midsession as investors took a cautious approach to a new screen trading system that has replaced open outcry. The IPC index was 73.50 or 2.2 per cent lower by mid-

acquisition yesterday, fell \$3\frac{1}{4} to \$112\frac{1}{4}.

announced another smaller

The strong run in internet shares, which became the highlight of last week's market advance, continued unabated. Amazon.com, whose market value climbed nearly 50 per cent last week. rose another \$13\\ during the morning to \$173%.

America Online, another of the new band of large-cap internet stocks, jumped \$11% to \$156% after Merrill Lynch issued a positive report on the company.

Even these gains were overshadowed by the perfor-The broader Standard & mance of some other companies in the internet sector. E*Trade. an internet broker. announced earnings that showed it growing strongly while also incurring losses due to heavy development costs. Its shares rose \$10% to

> TORONTO was easier at midsession, overhung by an air of uncertainty about the level of earnings to be posted by blue-chip companies later in the week. The TSE-300 composite index, which climbed 5.3 per cent last week, was 14.11 easier at 6,854.82 in volume of 43.5m

Against the trend, zinc miner Cominco climbed 60 cents to C\$19.60 on the back Gobain sank €5.10 to €128.40 of an improved outlook for base metals prices.

Cominco was hit hard last radioactivity in its glass year by the financial crisis wool products. Levels were in Asian markets and the

subsequent collapse of zinc tory limits, the group said. Debt crisis maintains motor industry. Renault was

> 76 cents to €42.07. ZURICH lost ground, in line with its neighbours, and by the close the SMI index was 169.3 or 2.2 per cent day of low volumes.

Profit-taking after last week's sharp gains sent FRANKFURT down almost 2 per cent and the Xetra Dax index closed 104.04 lower at Dresdner Bank fell €1.50 to €41.60 after its chief executive was reported as saying

> lower at 7.464.4. ABB was among the few blue-chip winners, adding SFr8 to SFr1,656, still profiting from last week's news that the US authorities had approved its acquisition of Elsag Bailey.

Among second-liners. had underlined the low earn-Richemont shot SFr250 or 11 per cent higher to SFr2,480 on news of the proposed ers. Karstadt was marked €7 merger between British Software giant SAP made American Tobacco and Rothan early attempt to rally mans International. After after last week's 15 per cent the transaction, Richemont fall following disappointing will own 35 per cent of the 1998 results. But by the merged group. STOCKHOLM ended lower

ofter a mixed day that saw Volvo down sharply and cyclical stocks riding high. The general index fell 53.41 or 1.6 per cent to 3.330.01. stooping a rally that resulted in a 4.6 per cent rise in the market last week. Volvo ended \$Kr13.50 or

5.9 per cent down at SKr217 index opened 1.1 per cent up, after it emerged the sale of its car division might be further away than investors expected. The company revealed it was in talks with Fiat, the Italian carmaker. media reports highlighting but added that the discussions were only part of a wide-ranging review of possible fates of the division.

per cent to SKr89.

MILAN fell in line with other European markets as investors took profits on a

well below European regulacions Director Pr The steel and forestry secacting Director (Michelin rose €2.30 to tors performed strongly €34.30, driven by consolida- Stora Enso, the forestry maging Director F tion hopes in the European group, gained SKr3 or 4.4 per siness Derelapme cent to SKr67.50 and SSAB, another winner, putting on the steelmaker, SKr4 or 4.7 ear Gweinne

Tobacco lights up all share

SOUTH AFRICA

burg to a two-month high.

61.2 to 5,880.3. A R9.70 surge

rise much above the \$290 an

Hefty gains in Remgro and Richemont on news that their Rothmans International unit was to merge with British American Tobacco hoisted Johannes-The overall index gained

in Richemont to R102.40 and Remgro's R2.95 advance to R42.75 lifted the industrial index where they are heavily weighted 123.4 to 6.808.8. Golds slipped 3.9 to 958.5 as bullion failed to extend its

Forex volatility dents Tokyo

ASIA PACIFIC

Concerns about volatility in the foreign exchanges sent TOKYO lower although a lack of incentives kept trading muted, writes Michiyo

The Nikkei 225 average

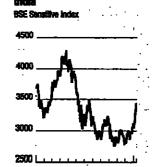
lost a modest 23.33 to close at 13,368.48 after moving between a high of 13,452.89 and a low of 13,224.63. index of all listed shares dropped 1.06 to 1.057.34, while the Nikkei 300 declined 0.51 to 209.24.

However, trading was quiet, with volume of 304m shares compared with 359m on Friday. While the yen's firmer tendency and further bad news for the banking sector continued to affect the market, there was little

to provide strong direction. Despite the overall fall in share prices, advancing issues outnumbered those retreating 572 against 475, while 221 were unchanged.

Many high-tech stocks were shunned as a result of the stronger yen. The Japanese currency hovered dangerously close to the Y110 level for most of the day, then hit Y109 after the mar-

Sony dropped Y110 to Y7,460 and TDK declined Y100 to Y9,300. It was the



eighth consecutive day of declines for Sony. On the other hand, some technology issues were supported by a firm perfor-

mance on Wall Street. NEC rose Y26 to Y1,105, Fujitsu gained Y21 to Y1,509 and Softbank hit a record high of Y8,350 before ending up Y820 at Y8,240. Mitsubishi Electric was the second most actively traded issue and

gained Y14 to Y364. Integrated electronics makers were also supported by growing optimism that semiconductor makers would see a turnaround in prices. In addition to the boost for Fujitsu and NEC, Hitachi rose Y4 to Y743 and Toshiba gained Y12 to Y691. KUALA LUMPUR respon-

reshuffle announced last Friday with the composite index ending 6.76 or 1.1 per cent up at 598.46.

The best performing stock was Dewina, a food and catering company controlled by members of the family of Abdullah Ahmad Badawi, who was appointed deputy prime minister. The shares closed M\$1.36 or 57 per cent

Other stocks fell on disappointment that Tengku Razaleigh Hamzah, the former finance minister, was not awarded a cabinet post, Malayan United Industries, whose chief executive is close to Mr Razaleigh, fell 13 cents or 13.2 per cent to 85.5

SEOUL closed sharply higher on heavy volume after the central bank forecast the economy would grow faster this year than the expected rate of 3.2 per

Foreign investors and mutual funds were active, contributing to a rise of 14.62 or 2.3 per cent in the composite index. The index ended at a 15-month high of Corp would seek bank-

Blue chips attracted most attention. The drugs and medicines index performed particularly strongly, gain-

from six-month intraday highs as profit-taking set in after the market had notched up sharp gains early in the day. The BSE-80 index

pulled back from 3,515.49 to close 35.16 higher at 3,433.00. Dealers said speculators unwound their positions foreign fund buying falled to materialise. Index heavy weights were particularly hard hit when local funds also turned sellers.

Against the trend, motor manufacturers were higher on hopes that a 10 per cent cut in retail diesel prices would boost truck and tractor sales. Tata Engineering and Locomotive Company rose Rs16.30 to Rs223 and Ashok Leyland gained Rs2.85

to Rs46.85. HONG KONG turned lower on news of a pending share placement by New World Development The Hang Seng index

closed 88.43 lower at 10.634.27, with sentiment also bruised by news that China's Guangdong International Trust and Investment

New World Development traded 20 cents higher to HK\$20.95 before the shares were suspended at the com-

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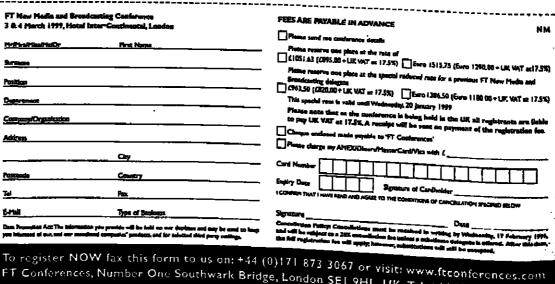
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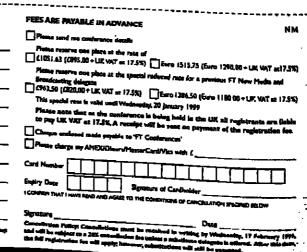
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Conferences

The 17th Annual FT World New Media 3 & 4 March 1999, London

rient investment ()irector (Approprient), will discuss the continuing development of the digital market from both a European and US perspective, six months after the bunch of the UK satellite and terrestrial digital platforms. Select heads of industry will discuss post-launch experiences; market opportunities for new entrants; the impact of competition on the existing networks; new technologies; regulation gatekeepers and convergence; region Vice President C finance; and interactive services amongst other topics. Inerations Director P irbeling Director Ch.

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